

# ARE YOU READY...

**Missouri State Employees' Retirement System**

**A Component Unit of the State of Missouri**

**Comprehensive Annual Financial Report**

**Fiscal Year Ended June 30, 2001**





**Missouri State Employees' Retirement System**

**A Component Unit of the State of Missouri**

**Comprehensive Annual Financial Report**

**Fiscal Year Ended June 30, 2001**

# ...TO HAVE SOME FUN?

**Gary Findlay**

**Executive Director**

**Gary Irwin**

**Chief Finance Officer**

**907 Wildwood Drive, P.O. Box 209**

**Jefferson City, Missouri 65102**

**(573) 632-6100 or (800) 827-1063**



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\* Missouri State Employees' Plan

\*\* Administrative Law Judges and Legal Advisors' Plan



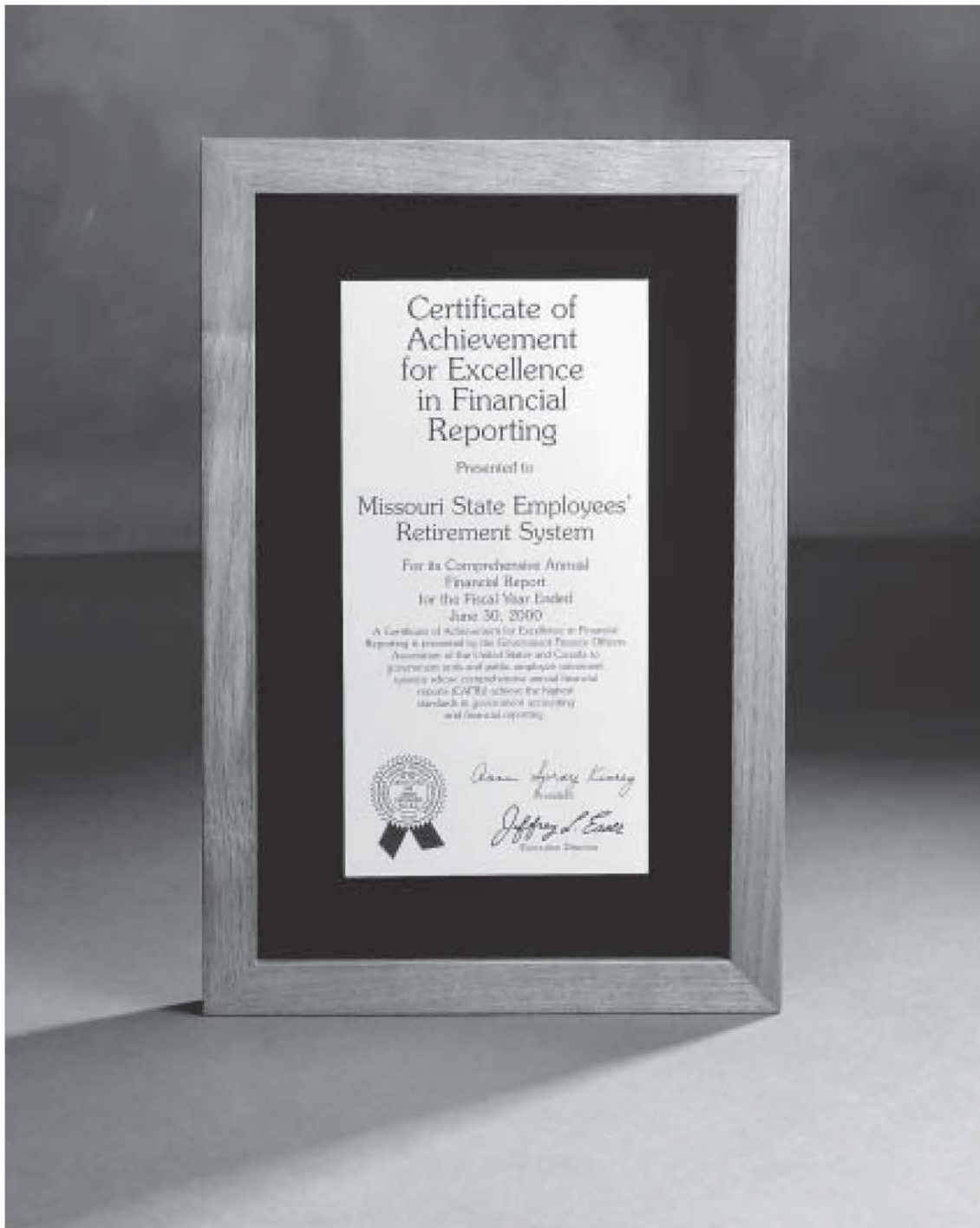
**INTRODUCTORY SECTION**



...**TO PLAY?**



# CERTIFICATE OF ACHIEVEMENT



# LETTER OF TRANSMITTAL



*Gary Findlay*  
*Executive Director*

September 7, 2001

The Board of Trustees  
Missouri State Employees' Retirement System  
907 Wildwood Drive  
Jefferson City, MO 65109

Dear Board Members:

It is again with great pleasure that I submit this year's annual report of the Missouri State Employees' Retirement System (MOSERS).

### ***Fiscal Year 2001 Highlights***

Last year, MOSERS' staff worked towards the successful implementation of the Missouri State Employees' Plan 2000 (MSEP 2000) and this year that effort continued as retired employees were given the option of staying in the Missouri State Employees' Plan (MSEP) or converting to the MSEP 2000. During the year, 6,316 retiree MSEP 2000 conversion elections were processed.

MOSERS' staff also began work on the implementation of legislation passed this year, which provides for a Deferred Retirement Option Provision (BackDROP) for general state employees. As of June 30, 2001, procedures were in place to provide benefit estimates to those who may want to consider utilizing the BackDROP option that will go into effect on January 1, 2002. Additional information regarding the BackDROP option is included in this annual report and on our web site.

During the year, the state of Missouri implemented the human resource/payroll portion of their new financial accounting and reporting system (SAMII). With the implementation of SAMII, the state of Missouri converted from monthly anticipatory payroll cycles to semi-monthly lag payroll cycles. MOSERS, in conjunction with this conversion, changed its collection of the premiums under the internal service fund life and LTD insurance plans, from in-advance to in-arrears, to realize efficiencies in the premium collection process. For the most part, the conversion has resulted in a faster and more efficient collection of payroll data and contributions from the state of Missouri. MOSERS' staff continues to work with those in the Office of Administration on the remaining conversion issues.

Also during the year, MOSERS bid out the investment custodian services and awarded the contract to Mellon Trust Company. The transition of the custody of pension trust investments to Mellon Trust Company was successfully completed during the months of May and June.

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[www.mosers.org](http://www.mosers.org)

### ***Report Contents and Structure***

MOSERS is considered a component unit of the state of Missouri for financial reporting purposes and, as such, the financial statements contained in this report are also included in the *State of Missouri Comprehensive Annual Financial Report*. The financial information presented in this report is the responsibility of the management of MOSERS, and sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules, and statistical tables. The report is also designed to comply with the reporting requirements of Sections 104.480, 104.1006, and 105.661 of the Revised Statutes of Missouri (RSMo) as amended. The report is divided into the following five sections:

- ◆ The Introductory Section, which contains general information regarding the operations of MOSERS.
- ◆ The Financial Section, which contains the financial statements, schedules, and supplementary financial information regarding the funds administered by MOSERS.
- ◆ The Investment Section, which contains information pertaining to the management of the investments of the pension trust funds.
- ◆ The Actuarial Section, which contains information regarding the financial condition and financial position of the retirement plans administered by the system.
- ◆ The Statistical Section, which contains general statistical information regarding system participants and finances.

### ***Summary of Financial Information***

The following schedule is a summary of the pension trust funds' additions and deductions for the years ended June 30, 2001, and June 30, 2000.

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Additions	\$ 128,977,714	\$ 633,928,520
Deductions	<u>(239,464,885)</u>	<u>(199,270,551)</u>
Net Change	\$ (110,487,171)	\$ 434,657,969

Additions decreased by \$504,950,806, primarily due to a decrease in net investment income of \$525,879,118, offset by an increase in contributions of \$12,799,051 and an increase in security lending net income of \$8,340,905. Deductions increased by \$40,194,334, primarily due to an increase of \$39,910,789 in benefit payouts for the year.

The following schedule is a summary of the revenues and expenses of the Internal Service Fund (insurance activity) for the years ended June 30, 2001, and June 30, 2000.

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Operating revenues	\$ 23,649,880	\$ 20,556,272
Operating expenses	<u>(23,596,435)</u>	<u>(20,639,055)</u>
Nonoperating revenues	81,716	68,349
Net change	\$ 135,161	\$ (14,434)

Operating revenues increased by \$3,093,608, primarily as a result of an increase in basic life premiums due to the increase in coverage, effective January 1, 2001. The basic life coverage afforded active employees increased from \$15,000 per employee to one times annual salary subject to a floor of \$15,000 of coverage. Likewise, operating expenses increased by \$2,957,380 as a result of transmitting increased premiums to the insurance company. The increase in nonoperating revenues primarily resulted from increased interest earnings as the retained earnings of the fund increased, offset by a steady decline in interest rates during the last half of the fiscal year.

### ***Plan Financial Condition***

The funding objective of MOSERS' pension trust funds is to meet long-term benefit promises through contributions, which remain approximately level as a percent of member payroll over decades of time. Historical information relating to progress in meeting this objective is presented on pages 36-40. During the year ended June 30, 2001, the funded ratio of the MSEP, which covers 90,418 participants, increased from 93.1% to 97.0%, primarily as the result of changes in actuarial assumptions. The funded ratio of the Administrative Law Judges and Legal Advisors' Plan (ALJLAP), which covers 100 participants, increased from 79.8% to 85.7%, primarily as the result of an increase in participants in the plan and changes in actuarial assumptions. Funding of the Judicial Plan, which covers 830 participants, began on July 1, 1998. During the year ended June 30, 2001, the funded ratio of the Judicial Plan increased from 5.7% to 9.1%, primarily as the result of an increase in participants in the plan and changes in actuarial assumptions. Additional information regarding the financial condition of the pension trust funds can be found in the actuarial section of this report.

### ***Investment Activity***

MOSERS' investment portfolio produced a total return, net of expenses, of -2.2% for the year ended June 30, 2001. Even though the return was negative this year, we are pleased that MOSERS' investment policies have worked as intended. The policy benchmark return for the year was off by -10.6% which indicates MOSERS' policies have resulted in a +8.4% value added versus the markets. The fund has achieved its goal of adding value over its policy benchmark and, for the longer term, has exceeded the actuarial target rate of a 4.5% real return. Additional information regarding the investment results for the year are included in the investment section of this report.

### ***Legislation Enacted During the 2001 Legislative Session***

On July 13, 2001, Governor Bob Holden signed into law Senate Bill 371 (SB 371). Most of the provisions contained in SB 371 consisted of minor modifications to and clarifications of the MSEP and the MSEP 2000. Two of the more substantive changes contained in the legislation, however, create a BackDROP option for general state employees (effective January 1, 2002), and establish a mandatory defined contribution plan for new hires only of the regional colleges and universities (effective July 1, 2002). Additional information regarding SB 371 can be found in the actuarial section of this report.

### ***Certificate of Achievement for Excellence in Financial Reporting***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MOSERS for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2000. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR conforming to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. MOSERS has received a Certificate of Achievement for the last twelve consecutive years (fiscal years ended 1989-2000). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for evaluation.



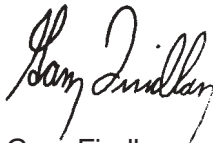
### ***Conclusion***

This report is a product of the combined efforts of the MOSERS' staff and advisors functioning under your leadership. It is intended to provide complete and reliable information, which will facilitate the management decision making process; serve as a means for determining compliance with legal requirements; and allow for the evaluation of responsible stewardship of the funds of the system. As in the past, MOSERS received an unqualified opinion from our independent auditors on the financial statements included in this report. The opinion of the independent auditor can be found on page 18.

Copies of this report are provided to the Governor, State Auditor, Joint Committee on Public Employee Retirement of the general assembly, and all state agencies. These agencies form the link between MOSERS and its members, and their cooperation contributes significantly to the success of MOSERS. We hope all recipients of this report find it informative and useful.

I would like to take this opportunity to express my gratitude to you, the staff, the advisors, the Governor's Task Force on Total Compensation, and other people who have worked so diligently to assure the continued successful operation of the system.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gary Findlay".

Gary Findlay  
Executive Director

## LETTER FROM THE CHAIRMAN



*Missouri State Employees'  
Retirement System*

*Board of Trustees*

*Thomas Hodges  
Chairman*

*Jacquelyn White  
Vice-Chairman*

*Nancy Farmer*

*Rep. Richard Franklin*

*Carol Gilstrap*

*Mike Hartmann*

*Stephen Price*

*Bryan Ornburn*

*Sen. John Russell*

*Sen. John Scott*

*Rep. Bill Skaggs*

*Gary Findlay  
Executive Director*

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(800) 735-2966 (TDD)*

*[www.mosers.org](http://www.mosers.org)*

*Thomas Hodges  
Board Chairman*

September 7, 2001

Dear Members:

On behalf of the board of trustees, I am pleased to present the *MOSERS' Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2001. This report provides information on the financial status of your retirement system while also highlighting significant changes that occurred during the year.

A review of the report confirms that, though faced with a difficult investment environment this year, the system remains well funded. The preservation and long-term growth of system assets remains the primary focus of the board to ensure that future benefit obligations will be met. MOSERS is strong and will, through the guidance of the board and the dedication of an outstanding staff, weather the uncertain times we are facing. We will be here for our members in the years to come.

With the election of Governor Bob Holden, and the subsequent change in administration, the board experienced some turnover this year. Ending their terms were Bob Holden (eight years), Richard Hanson (eight years), and Joe Bednar (three years). On behalf of the board, staff, and membership, I would like to express our collective thanks to these individuals for serving, and for their many valuable contributions to the system. Nancy Farmer (State Treasurer), Mike Hartmann (Commissioner of Administration), and Carol Gilstrap (Deputy Chief of Staff, Governor's Office) also joined the board this year, and we look forward to working and serving with them.

On a sadder note, I regret to inform you of the death of Ben Russell, our retiree-elected board member. Ben was a strong advocate for retirees, and a valuable member of the board. He will be missed. Bryan Ornburn has been appointed by the board to complete Ben's term. Bryan formerly served the retirees as their elected representative during 1992-1998, and we greatly appreciate his willingness to return to the board.

On a personal note, this is my last annual report letter to you, as I will not seek re-election as board chairman. I wish to thank the staff of MOSERS and my fellow trustees (current and former), who have made my term as chairman of the board so enjoyable these past seven years. It has been very rewarding to serve as chairman during a time when many positive changes have occurred. MOSERS is, without a doubt, an industry leader reflecting both the quality and commitment of the board and staff.

Sincerely,

Tom Hodges, Chairman  
Board of Trustees

## BOARD OF TRUSTEES



### *Seated left to right*

**Nancy Farmer**  
State Treasurer  
Ex-Officio Member

**Mike Hartmann**  
Commissioner of Administration  
Ex-Officio Member

**Carol Gilstrap**  
Deputy Chief of Staff  
Governor's Office  
Governor Appointed Member

**Senator John Scott**  
Senate Member

**Jacquelyn White**  
*Vice Chairman*  
Deputy Director  
Department of Mental Health  
Governor Appointed Member

### *Standing left to right*

**Representative Richard Franklin**  
House of Representatives' Member

**Steve Price**  
Staff Director  
House Appropriations Committee  
Elected Active Member

**Representative Bill Skaggs**  
House of Representatives' Member

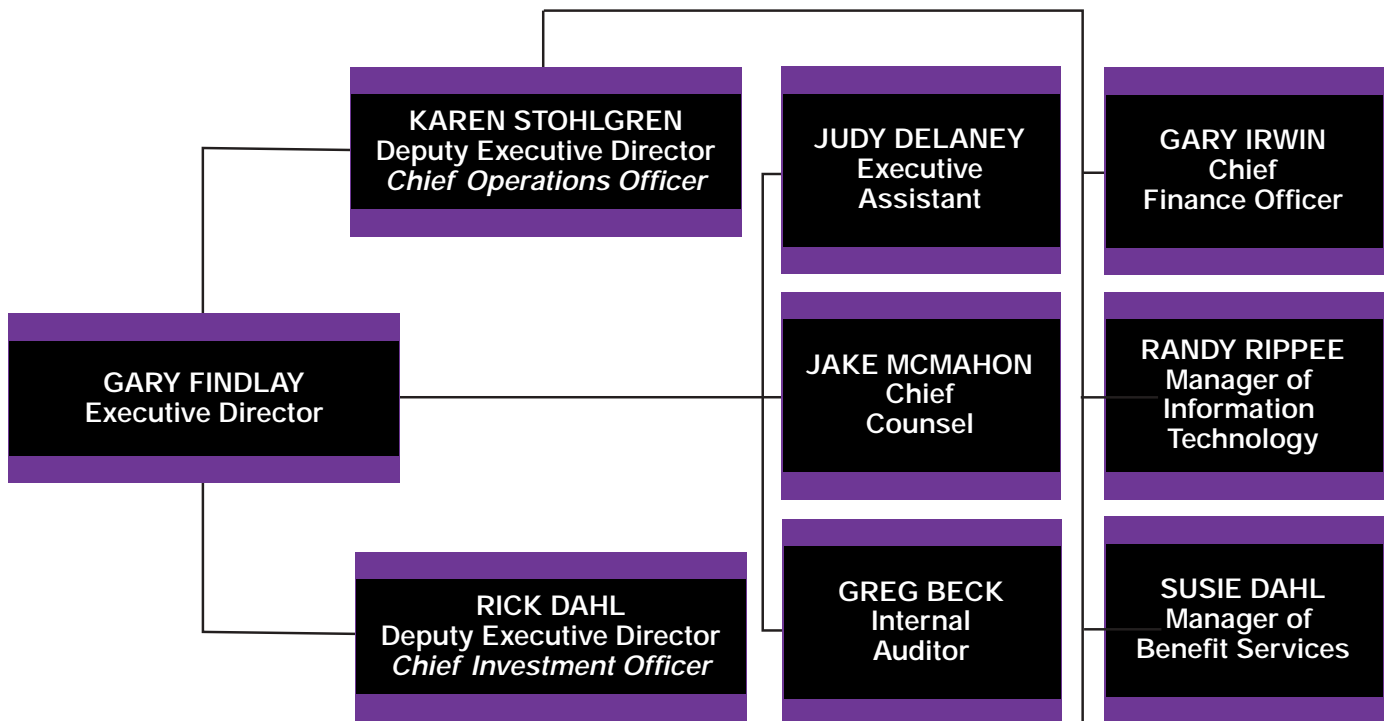
**Thomas Hodges**  
*Chairman*  
District Administrator  
Board of Probation and Parole  
Department of Corrections  
Elected Active Member

**Senator John Russell**  
Senate Member

**Bryan Ornburn**  
Elected Retired Member



## ADMINISTRATIVE ORGANIZATION



### Management and Senior Support Staff



#### *Seated left to right*

Gary Irwin, Susie Dahl, Jake McMahon, Judy Delaney,  
Diana Mosier, Randy Rippee

#### *Standing left to right*

Sherri Redmon, JoAnn Looten, Rick Dahl,  
Gary Findlay, Karen Stohlgren, Sandi Marthers

#### *Not pictured*

Greg Beck

## MOSERS' STAFF



### Executive Services

Kneeling: Jake McMahon  
Seated: Judy Delaney, Karen Stohlgren  
Standing: Gary Findlay  
Not pictured: Greg Beck



### Accounting

Seated: Melissa Wadley,  
Michele Nix, Becky Harrison  
Standing: Martha Francis, Gary Irwin



### Information Technology

Kneeling: John Lipskoch, Randy Woods  
Seated: Kawajalyn Simmons,  
Michelle Shikles, Barbara Bosch  
Standing: Louise Bremer, Mark Howard,  
Karen Raithel, Randy Rippee  
Not pictured: Jennifer Scott



### Member Services

Kneeling: Ron Childs  
Seated: Christine Wilson, Sally Hager,  
Gina Kunz, Hazel Bledsoe,  
Wanda Verdot, Juanita Libbert  
Standing: Beverly Murphy, Lori Bintlage,  
JoAnn Looten, Cindy Barbarick, Dana Bernier

## MOSERS' STAFF



### Communications

Seated: Tracy Upschulte, Kendra Wood,  
Pam Henry, Betty Kinney  
Standing: Sandi Marthers,  
Barbara Beermann, Deb Benton  
Not pictured: Dearld Snider



### Staff Services

Seated: Amanda Reed,  
Jerry Hihn, Diana Mosier  
Standing: Sherri Redmon, Lori Leeper,  
Michael McNail, Maggie Rush  
Not pictured: Jeff Goins



### Benefit Services

Kneeling: Scott Simon  
Seated: Debbie Murphy, Susie Dahl,  
Jenny Bayne, Tricia Mingucci  
Standing: Bette Rovik, Sandy Wieberg,  
Gary Hollis, Kevin Bradley, Kim Sullens  
Not pictured: Anne Rapp, Jennifer Hanes



### Investments

Kneeling: Rick Dahl  
Seated: Meg Cline, Jessica Hjelvik,  
Tricia Scrivner, Cindy Rehmeier  
Standing: Pat Neylon, Karen Holterman,  
Shannon Davidson, Jim Mullen



## ABOUT MOSERS

The Missouri State Employees' Retirement System (MOSERS), established September 1, 1957, is governed by the statutes of the state of Missouri.

### Purpose

MOSERS provides retirement, survivor and disability benefits, and life insurance to its members.

MOSERS administers retirement benefits for most state employees, including members of the Missouri General Assembly, elected state officials, administrative law judges and legal advisors, and judges. MOSERS is responsible for administering the law in accordance with the expressed intent of the Missouri General Assembly and bears a fiduciary obligation to the state employees who are its members and beneficiaries.

### Mission

To play an integral role in the future financial security of plan participants by promptly and courteously delivering quality benefits and information which members value and trust through professional plan administration and prudent management of system assets.

### Administration

The statutes provide that responsibility for the administration of MOSERS is vested in an eleven member board of trustees. The board is comprised of:

- ◆ Two members of the Senate appointed by the President Pro Tem of the Senate.
- ◆ Two members of the House of Representatives appointed by the Speaker of the House.
- ◆ Two members appointed by the Governor.

- ◆ The State Treasurer.
- ◆ The Commissioner of Administration.
- ◆ Three other members of the system: two active members elected by the active and terminated-vested members, and one retiree elected by the retired members.

The day-to-day management of MOSERS is delegated to the executive director who is appointed by the board and serves at its pleasure. The executive director acts as advisor to the board on all matters pertaining to the system and, with the approval of the board, contracts for professional services and employs the remaining staff needed to operate the system.

### Organization

The executive director, deputy executive director – chief operations officer, and the deputy executive director – chief investment officer are responsible for planning, organizing, and administering the operations of the system under the broad policy guidance and direction of the board.

MOSERS' office is divided into eight administrative sections that perform specific functions for the system.

### Executive Services

The executive services team provides administrative support by assisting the executive director and chief operations officer in the major legal, operational, and oversight functions of the retirement, benefit, and communication programs.

## Accounting

This section is responsible for all financial records of the programs administered by MOSERS, including the preparation of financial and statistical reports. Accounting performs the purchasing functions for MOSERS and interfaces with the investment consultant, investment managers, Office of Administration accounting, various payroll/personnel departments, life insurance companies, actuaries, banks, and the IRS.

## Benefit Services

Benefit services is responsible for all contact with the membership regarding the benefit programs administered by MOSERS, which include retirement, life insurance, and long-term disability.

## Communications

Communications is responsible for providing clearly written and attractively designed publications and educational seminars needed to inform all members of benefit programs administered by MOSERS. Communications and the information technology section are jointly responsible for MOSERS' web site.

## Information Technology

Utilizing an IBM AS400 minicomputer and high-end workstations, information technology provides all computer and technical design support for MOSERS' data processing activities. This group is responsible for establishing and updating computer programs to implement plan changes and also maintains members' folder information on FileNet – an optical disk image system that allows information to be stored and processed using computer displayed images of original documents. Information technology is also responsible for administration of the personal computer network and the telephone system. Information technology and the communications section are jointly responsible for MOSERS' web site.

## Investments

The investments' staff provides internal investment management and consulting services to the board and the executive director. The primary functions of staff include analyzing and rebalancing the overall asset allocation and portfolio structure, managing portions of the portfolio, providing technical advice, serving as a liaison to the investment community, and informing and advising the board and executive director on financial, economic, and political developments which may affect the system. The investments' staff also works with the asset consultant and the executive director in selecting and monitoring external money managers.

## Member Services

Member services is responsible for establishing and maintaining all membership records – including maintenance of the data on the electronic imaging system, balancing payroll deductions for insurance, and entering the payroll, service, and leave data into the system's computerized database.

## Staff Services

Staff services provides clerical support, mail services, and general building maintenance for MOSERS' personnel. Human resources is also represented in this section.

## OUTSIDE PROFESSIONAL SERVICES

### Actuary

Gabriel, Roeder, Smith & Co.  
Actuaries and Consultants  
Norm Jones, Brad Armstrong  
Southfield, Michigan

### Auditors

KPMG LLP  
Certified Public Accountants  
Melissa Benton, Andrew J. Blossom  
Kansas City, Missouri

### Master Trustee/Custodian

Mellon Trust  
John Vanderpool, Irene Spridakos  
Boston, Massachusetts

### Equity Investment Advisors

AmeriCap Advisers  
Michael Gayed, Steve Shobin  
New York, New York

Capital Guardian Trust  
Mike Nyeholt, Andy Barth  
Los Angeles, California

Dimensional Fund Advisors  
Carol Wardlaw, Rex Sinquefeld  
Santa Monica, California

Mastholm Asset Management  
Tom Garr, Ted Tyson  
Bellevue, Washington

Merrill Lynch Quantitative Advisors  
Asset Management Group  
Rick Vella, Lesley Hyatt  
New York, New York

Oak Associates, Ltd.  
Jim Oelschlager, Doug McKay  
Akron, Ohio

OakBrook Investments  
Michael Lorenzen, Janna Sampson  
Lisle, Illinois

### Equity Investment Advisors, Con't.

Silchester International Advisors  
Chris Cowie, Stephan Butt  
London, England

Zak Capital, Inc.  
Nick Heyer, Doug Platt  
Minneapolis, Minnesota

### Diversification Pool Investment Advisors

BlackRock Financial Management, Inc.  
Robert Capaldi, Andy Phillips  
New York, New York

Hoisington Investment Management Company  
Van Hoisington, Lacy Hunt  
Austin, Texas

NISA Investment Advisors  
Robert Krebs, Bill Marshall  
St. Louis, Missouri

### Securities Lending Advisors

Credit Suisse First Boston Corporation  
Dwight Skerritt  
New York, New York

Lehman Brothers  
Patty Summerman  
Chicago, Illinois

### Investment Management Consultant

Summit Strategies, Inc.  
Steve Holmes, Tom Pollihan  
St. Louis, Missouri

### Legal Counsel

Thompson Coburn  
Attorneys at Law  
Allen Allred  
St. Louis, Missouri

### Risk Management Consultant

Charlesworth & Associates, L.C.  
Art Charlesworth, Bob Charlesworth  
Overland Park, Kansas





...TO REST AND RELAX?

# INDEPENDENT AUDITORS' REPORT



1000 Walnut, Suite 1600  
P.O. Box 13127  
Kansas City, MO 64199

The Board of Trustees  
Missouri State Employees' Retirement System  
907 Wildwood Drive  
Jefferson City, MO 65109

Dear Board Members:

We have audited the financial statements of the Missouri State Employees' Retirement System, a component unit of the state of Missouri, as of and for the year ended June 30, 2001, as listed in the accompanying table of contents. These financial statements are the responsibility of the retirement system's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of the Missouri State Employees' Retirement System's pension trust funds present fairly, in all material respects, the plan net assets as of June 30, 2001, and the related changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the financial statements of the Missouri State Employees' Retirement System's internal service fund present fairly, in all material respects, its financial position as of June 30, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary management discussion and analysis on pages 19-21 and the supplementary schedules of funding progress and employer contributions on pages 36-40 are not a required part of the basic financial statements of the Missouri State Employees' Retirement System, but are required by the Governmental Accounting Standards Board. The supplementary information included on pages 41-47 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Missouri State Employees' Retirement System. Such information, included on pages 19-21 and 36-47 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

August 31, 2001

**KPMG LLP**



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

## REQUIRED SUPPLEMENTARY INFORMATION

### Management Discussion and Analysis

The basic financial statements contained in this section of the Comprehensive Annual Financial Report consist of:

The Statements of Plan Net Assets, which reports the pension trust funds assets, liabilities, and resultant net assets where  $\text{Assets} - \text{Liabilities} = \text{Net Assets}$  available at the end of the fiscal year. It can be thought of as a snapshot of the financial position of the pension trust funds of MOSERS at that specific point in time.

The Statements of Changes in Plan Net Assets, which reports the pension fund transactions that occurred during the fiscal year where  $\text{Additions} - \text{Deductions} = \text{Net Change}$  in net assets. It can be thought of as a movie that has recorded the action that occurred over the specified time period of a fiscal year, and supports the change that has occurred to the prior year's net asset value on the Statement of Plan Net Assets.

The Balance Sheet of the Internal Service Fund is similar to the statement of net assets, in that it also is a snapshot of the financial assets of the Internal Service Fund where  $\text{Assets} = \text{Liabilities} + \text{Retained Earnings}$ .

The Statement of Revenues, Expenses, and Changes in Retained Earnings of the Internal Service Fund is similar to the Statement of Changes in Plan Net Assets, in that it also reports the activity that occurred over the period of the fiscal year where  $\text{Revenues} - \text{Expenses} = \text{Net Income}$  and supports the change to the prior year's retained earnings.

The Statement of Cash Flows of the Internal Service Fund reports the transactions for the year of the Internal Service Fund on a cash basis. It is similar to the Statement of Revenues, Expenses, and Changes in Retained Earnings, however, the focus of this statement is on the change to cash balances with accrued income and expense items eliminated.

The notes to the financial statements are an integral part of the financial statements and include additional information (including this management discussion and analysis) not readily evident in the statements themselves. The required supplementary information and other schedules following the notes to the financial statements provide historical and additional detailed information considered useful in evaluating the condition of the plans administered by MOSERS.

The following are summary comparative statements of MOSERS' pension trust funds and internal service fund.

#### Pension Trust Funds

##### *Summary Comparative Statements of Plan Net Assets*

	As of June 30, 2001	As of June 30, 2000	Percentage Change
Cash and short-term investments	\$ 84,964,687	\$ 80,861,253	5.07%
Receivables	105,896,105	234,586,014	(54.86)
Investments	5,370,228,746	5,473,755,988	(1.89)
Invested securities lending collateral	1,177,002,348	868,041,382	35.59
Fixed assets	4,004,611	4,078,336	(1.81)
Other	59,898	62,420	(4.04)
Total assets	6,742,156,395	6,661,385,393	1.21
Administrative expense payable	2,729,761	2,596,486	5.13
Investment purchases	95,205,011	213,054,331	(55.31)
Securities lending collateral	1,177,016,421	868,041,382	35.59
Other	265,520	266,341	(0.31)
Total liabilities	1,275,216,713	1,083,958,540	17.64
Net assets	\$ 5,466,939,682	\$ 5,577,426,853	(1.98)%

**Summary Comparative Statements of Changes in Plan Net Assets**

	<b>Year Ended June 30, 2001</b>	<b>Year Ended June 30, 2000</b>	<b>Percentage Change</b>
Contributions	\$ 241,385,199	\$ 228,586,148	5.60%
Investment net income (loss) - investing activities	(122,732,036)	403,147,082	(130.44)
Investment net income - securities lending activities	9,903,408	1,562,503	533.82
Miscellaneous	421,143	632,787	(33.45)
Total additions	128,977,714	633,928,520	(79.65)
Benefits	233,649,373	193,738,584	20.60
Service transfers and refunds	31,482	19,498	61.46
Administrative expenses	5,784,030	5,512,469	4.93
Total deductions	239,464,885	199,270,551	20.17
Net increase (decrease)	(110,487,171)	434,657,969	(125.42)
Net assets beginning of year	5,577,426,853	5,142,768,884	8.45
Net assets end of year	\$ 5,466,939,682	\$ 5,577,426,853	(1.98)%

The fiscal year ended June 30, 2001, for the pension trust funds, was most notably marked by an overall downturn in the investment markets. For the year ended June 30, 2001, MOSERS total investment fund reported a negative 2.2% return. Receivables were down at the end of the year primarily as a result of a decrease in accrued investment income and a decrease in pending investment sales. Likewise, payables for pending investment purchases were also down from the previous year. An increase in security lending activity during the year helped to offset some of the negative impacts of the market downturn. The increase in benefits payments was primarily due to the benefit adjustments initiated in fiscal year 2000, which increased the monthly benefits paid during fiscal year 2001.

**Internal Service Fund**

**Summary Comparative Balance Sheets**

	<b>As of June 30, 2001</b>	<b>As of June 30, 2000</b>	<b>Percentage Change</b>
Premiums receivable	\$ 2,023,864	\$ 1,666,963	21.41%
Investments	722,700	633,539	14.07
Total assets	2,746,564	2,300,502	19.39
Premiums payable	2,258,796	1,324,158	70.58
Other	248,399	872,137	(71.52)
Total liabilities	2,507,195	2,196,295	14.16
Retained earnings	239,369	104,207	129.71
Total liabilities and retained earnings	\$ 2,746,564	\$ 2,300,502	19.39%



**Summary Comparative Statements of Revenues, Expenses, and Changes in Retained Earnings**

	<b>Year Ended June 30, 2001</b>	<b>Year Ended June 30, 2000</b>	<b>Percentage Change</b>
Premium receipts	\$ 23,185,529	\$ 20,119,784	15.24%
Miscellaneous income	464,351	436,488	6.38
Total operating revenues	23,649,880	20,556,272	15.05
Premium disbursements	22,480,704	20,049,507	12.13
Premium refunds	704,825	70,277	902.92
Administrative expenses	410,906	519,271	(20.87)
Total operating expenses	23,596,435	20,639,055	14.33
Net operating income (loss)	53,445	(82,783)	(164.56)
Investment income	81,717	68,349	19.56
Net revenues over (under) expenses	135,161	(14,434)	(1036.41)
Retained earnings beginning of year	104,207	118,641	(12.17)
Retained earnings end of year	\$ 239,369	\$ 104,207	129.70%

**Summary Comparative Statements of Cash Flows**

	<b>Year ended June 30, 2001</b>	<b>Year ended June 30, 2000</b>	<b>Percentage Change</b>
Cash flows from operating activities	\$ (418)	\$ (96,057)	(99.56)%
Cash flows from noncapital financing activities	7,863	(741)	(1161.13)
Cash flows from investing activities	(7,445)	96,798	(107.69)
Net change in cash	0	0	0.0
Cash balances beginning of year	0	0	0.0
Cash balances end of year	\$ 0	\$ 0	0.0

During fiscal year 2001, in conjunction with the state of Missouri's conversion to a new lag payroll system, the internal service fund converted the collection of premiums from a collection-in-advance of coverage to a collection-in-arrears of coverage. As groups of departments were converted, the premiums deducted were to be converted to an arrears basis. However, the first group converted was not put on an arrears basis, and therefore refunds were issued to those employees affected. This accounts for the abnormally high volume of premium refunds issued during the fiscal year ended June 30, 2001. In addition, on January 1, 2001, the coverage provided to members in the basic life insurance program was increased from \$15,000 of coverage to an amount equal to one-times their annual salary subject to a floor of \$15,000 of coverage. The employer paid premium for this increase in coverage increased from \$4.38 per month per employee to \$8.72 per month per employee.

# STATEMENTS OF PLAN NET ASSETS

## Pension Trust Funds

As of June 30, 2001

	Missouri State Employees' Plan	Administrative Law Judges and Legal Advisors' Plan	Judicial Plan	Total (Memorandum Only)
<b>Assets</b>				
Cash and short-term investments	\$ 84,464,286	\$ 205,868	\$ 294,533	\$ 84,964,687
<u>Receivables</u>				
State contributions	17,635,978	88,817	1,806,996	19,531,791
Investment income	14,197,186	34,603	49,507	14,281,296
Investment sales	67,839,090	165,346	236,560	68,240,996
Other	3,819,394	9,309	13,318	3,842,022
Total receivables	103,491,648	298,075	2,106,381	105,896,105
<u>Investments at fair value</u>				
U.S. Treasury securities	751,087,638	1,830,651	2,619,095	755,537,384
Corporate bonds	261,915,197	638,375	913,317	263,466,888
Convertible bonds	3,374,147	8,224	11,766	3,394,137
Government bonds & gov't mortgage-backed securities	336,214,775	819,468	1,172,404	338,206,647
Real estate equity	164,200,362	400,211	572,578	165,173,151
Common stock	2,450,089,335	5,971,685	8,543,633	2,464,604,653
International EAFE index fund	319,567,469	778,893	1,114,354	321,460,716
Preferred stock	7,727,879	18,835	26,948	7,773,662
Venture capital	146,228	356	510	147,094
Collateralized mortgage obligation	78,752,842	191,947	274,617	79,219,406
Foreign currency	13,316,755	32,457	46,436	13,395,649
International equities	940,838,159	2,293,137	3,280,768	946,412,064
U.S. dollar-denominated international corporate bonds	11,369,935	27,712	39,648	11,437,295
Total investments	5,338,600,721	13,011,951	18,616,074	5,370,228,746
Securities lending collateral	1,170,070,379	2,851,852	4,080,117	1,177,002,348
<u>Fixed assets</u>				
Land	265,713	648	927	267,287
Building and building improvements	3,187,935	7,770	11,117	3,206,822
Furniture, fixtures, and equipment	1,940,640	4,730	6,767	1,952,137
	5,394,288	13,148	18,811	5,426,246
Accumulated depreciation	(1,413,262)	(3,445)	(4,928)	(1,421,635)
Total fixed assets	3,981,026	9,703	13,883	4,004,611
Prepaid expenses and other	59,545	145	208	59,898
Total assets	6,700,667,605	16,377,594	25,111,196	6,742,156,395
<b>Liabilities</b>				
Administrative expense payables	2,713,684	6,614	9,463	2,729,761
Investment purchases	94,644,300	230,680	330,031	95,205,011
Securities lending collateral	1,170,084,369	2,851,886	4,080,166	1,177,016,421
Real estate security deposits	34,040	83	119	34,242
Employee vacation and overtime liability	229,916	560	802	231,278
Total liabilities	1,267,706,309	3,089,823	4,420,581	1,275,216,713
Net assets held in trust for pension benefits	\$ 5,432,961,296	\$ 13,287,771	\$ 20,690,615	\$ 5,466,939,682

(A schedule of funding progress for each plan is presented on page 36.)

See accompanying *Notes to the Financial Statements*.

# STATEMENTS OF CHANGES IN PLAN NET ASSETS

## Pension Trust Funds

Year Ended June 30, 2001

	Missouri State Employees' Plan	Administrative Law Judges and Legal Advisors' Plan	Judicial Plan	Total (Memorandum Only)
<b>Additions</b>				
<u>Contributions</u>				
State contributions	\$ 215,750,128	\$ 1,074,946	\$ 22,473,913	\$ 239,298,987
Member purchases of service credit	1,918,572	0	0	1,918,572
Service transfer contributions	167,640	0	0	167,640
Total contributions	217,836,340	1,074,946	22,473,913	241,385,199
<u>Investment income</u>				
<i>From investing activities</i>				
Net depreciation in fair value of investments	(242,360,710)	(590,714)	(845,129)	(243,796,553)
Interest	69,698,209	169,878	243,043	70,111,129
Dividends	59,309,772	144,558	206,817	59,661,147
Other	497,810	1,213	1,736	500,759
Total investing activity loss	(112,854,919)	(275,065)	(393,533)	(113,523,518)
Investing activity expenses				
Management fees	(6,810,712)	(16,600)	(23,749)	(6,851,061)
Custody fees	(767,749)	(1,871)	(2,677)	(772,297)
Consultant fees	(264,326)	(644)	(922)	(265,892)
Performance measurement fees	(62,952)	(153)	(220)	(63,325)
Portfolio transition/rebalancing cost	(154,588)	(377)	(539)	(155,504)
Internal investment activity expenses	(1,093,958)	(2,666)	(3,815)	(1,100,439)
Total investing activity expenses	(9,154,285)	(22,311)	(31,922)	(9,208,518)
Net loss from investing activities	(122,009,204)	(297,376)	(425,455)	(122,732,036)
<i>From securities lending activities</i>				
Securities lending income	22,648,799	55,203	78,978	22,782,980
Securities lending expenses				
Borrower rebates	(11,760,009)	(28,663)	(41,008)	(11,829,680)
Management fees	(1,043,709)	(2,544)	(3,639)	(1,049,892)
Total securities lending activities expenses	(12,803,718)	(31,207)	(44,647)	(12,879,572)
Net income from securities lending activities	9,845,081	23,996	34,331	9,903,408
Total net investment loss	(112,164,123)	(273,380)	(391,124)	(112,828,628)
Miscellaneous income	418,663	1,020	1,460	421,143
Total additions	106,090,880	802,586	22,084,249	128,977,714
<b>Deductions</b>				
Benefits	216,728,590	776,422	15,010,098	232,515,110
Benefit adjustments	1,134,263	0	0	1,134,263
Service transfer payments	31,482	0	0	31,482
Administrative expenses	5,749,965	14,015	20,051	5,784,030
Total deductions	223,644,300	790,437	15,030,149	239,464,885
Net increase (decrease)	(117,553,420)	12,149	7,054,100	(110,487,171)
Net assets held in trust for pension benefits				
Beginning of year	5,550,514,716	13,275,622	13,636,515	5,577,426,853
End of year	\$ 5,432,961,296	\$ 13,287,771	\$ 20,690,615	\$ 5,466,939,682

See accompanying Notes to the Financial Statements.

# BALANCE SHEET

## Internal Service Fund

As of June 30, 2001

<b>Assets</b>	
Premiums receivable	\$ 2,023,864
Investments at fair value	722,700
Total assets	2,746,564
<b>Liabilities and retained earnings</b>	
<i>Liabilities</i>	
Premiums payable	2,258,796
Checks outstanding net of deposits	10,122
Other	238,277
Total liabilities	2,507,195
<i>Retained earnings</i>	
	239,369
Total liabilities and retained earnings	\$ 2,746,564

See accompanying *Notes to the Financial Statements*.



# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

## Internal Service Fund

Year Ended June 30, 2001

<b>Operating revenues</b>	
Premium receipts	\$ 23,185,529
Miscellaneous income	464,351
Total operating revenues	23,649,880
<b>Operating expenses</b>	
Premium disbursements	22,480,704
Premium refunds	704,825
Administrative expenses	410,906
Total operating expenses	23,596,435
Operating revenues over operating expenses	53,445
<b>Nonoperating revenues</b>	
Investment income	81,717
Net revenues over expenses	135,161
Retained earnings July 1, 2000	104,207
Retained earnings June 30, 2001	\$ 239,369

See accompanying *Notes to the Financial Statements*.

# STATEMENT OF CASH FLOWS

## Internal Service Fund

Year Ended June 30, 2001

<b>Cash flows from operating activities</b>	
Cash received from employer and members	\$ 23,301,953
Premium payments to outside carriers	(22,183,743)
Refunds of premiums to members	(704,825)
Cash payments to employees for services	(223,120)
Cash payments to other suppliers of goods and services	(190,683)
Net cash used in operating activities	(418)
<b>Cash flows from noncapital financing activities</b>	
Implicit funding of checks outstanding net of deposits	\$10,122
Implicit repayment of prior years checks outstanding net of deposits	(2,259)
Net cash provided by noncapital financing activities	\$7,863
<b>Cash flows from investing activities</b>	
Purchase of investment securities	(414,644,329)
Proceeds from sale and maturities of investment securities	414,555,168
Cash received from investment income	81,716
Net cash used in investing activities	(7,445)
Net increase in cash	0
Cash balances June 30, 2000	0
Cash balances June 30, 2001	\$ 0
<b>Reconciliation of operating revenues over operating expenses to net cash used in operating activities</b>	
Operating revenues over operating expenses	\$ 53,445
Adjustments to reconcile operating revenues over operating expenses to net cash used in operating activities	
Change in assets and liabilities	
Increase in operational accounts receivable	(356,082)
Increase in operational accounts payable	302,219
Total adjustments	(53,863)
Net cash used in operating activities	\$ (418)

See accompanying *Notes to the Financial Statements*.

# NOTES TO THE FINANCIAL STATEMENTS

As of June 30, 2001

## (1) Plan Descriptions

### **Missouri State Employees' Plan**

The Missouri State Employees' Plan (MSEP) is a single-employer, public employee retirement plan administered in accordance with Sections 104.010 and 104.312 to 104.1093 of the Revised Statutes of Missouri (RSMo). As established under Section 104.320, RSMo, the Missouri State Employees' Retirement System is a body corporate and an instrumentality of the state. In the system are vested the powers and duties specified in sections 104.010 and 104.312 to 104.1093 and such other powers as may be necessary or proper to enable it, its officers, employees, and agents to carry out fully and effectively all the purposes of sections 104.010 and 104.312 to 104.1093.

Responsibility for the operation and administration of the system is vested in the Missouri State Employees' Retirement System (MOSERS) Board of Trustees. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the MSEP is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Generally, all full-time state employees who are not covered under another state-sponsored retirement plan are eligible for membership in the MSEP. On June 30, 2001, membership consisted of the following:

Retirees and beneficiaries		
currently receiving benefits		20,237
Terminated employees entitled to,		
but not yet receiving benefits		11,750
Active:		
Vested	34,880	
Nonvested	23,551	58,431
<b>Total membership</b>		<b>90,418</b>

The MSEP provides retirement, survivor, and disability benefits to its members. Benefits for general state employees are fully vested after five years of credited service (completion of one, four-year term of office for elected state officials and three full biennial assemblies for members of the general assembly). General employees may retire with full benefits upon the earliest of attaining (1) age 65 and active with 4 years of service, (2) age 65 with 5 years of service, (3) age 60 with 15 years of service, or (4) age 50 with age and service equaling 80 or more. General employees may retire early on or after age 55 with at least 10 years of service with reduced benefits. The base benefit in the general employee plan is equal to 1.6% of final average pay (FAP) times years of credited service. For members hired prior to August 28, 1997, cost-of-living adjustments (COLAs) are provided annually based on 80% of the change in the consumer price index (CPI) with a minimum of 4%, and maximum of 5%, until the cumulative amount of COLAs equals 65% of the original benefit. Thereafter, the 4% minimum is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the change in the CPI. Qualified, terminated-vested members may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least five, but less than ten years of service, be less than age 60, and have a benefit present value of less than \$10,000.

The state of Missouri is required to make all contributions to the MSEP. Prior to September 1, 1972, contributions by members were required. Accumulated employee contributions made prior to that time, plus interest through August 28, 1997, are refundable to the member or designated beneficiaries.

### **Administrative Law Judges and Legal Advisors' Plan**

The Administrative Law Judges and Legal Advisors' Plan (ALJLAP) is a single-employer, public employee retirement plan administered in accordance with Sections 287.812 to 287.856, RSMo. Responsibility for the operation and administration of the system is vested in the MOSERS' Board of Trustees. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the ALJLAP is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Individuals appointed or employed as administrative law judges or legal advisors in the Division of Workers' Compensation, members of the Labor and Industrial Relations Commission and their attorneys, the chairperson of the State Board of Mediation, and administrative hearing commissioners are eligible for membership in the ALJLAP. On June 30, 2001, membership consisted of the following:

Retirees and beneficiaries		
currently receiving benefits		24
Terminated employees entitled to,		
but not yet receiving benefits		19
Active:		
Vested	57	
Nonvested	0	57
<b>Total membership</b>		<b>100</b>

The ALJLAP provides retirement, death, and disability benefits to its members. Employees who retire on or after (1) age 65 with 12 or more years of credited service, (2) age 60 with 15 or more years of credited service, or (3) age 55 with 20 or more years of credited service are eligible for a monthly retirement benefit equal to one-half of the average, highest, 12 consecutive months of salary received during the period of service. Employees with less than 12 years of service are eligible for a reduced benefit upon retirement. COLAs are provided annually based on 80% of the change in the CPI with a minimum of 4% (for members hired prior to August 28, 1997), and maximum of 5%, until the cumulative amount of COLAs equals 65% of the original benefit. Thereafter, the 4% minimum is eliminated. Qualified, terminated-vested members may make a one-time election to receive the present

value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least five, but less than ten years of service, be less than age 60, and have a benefit present value of less than \$10,000. The state of Missouri is required to make all contributions to the ALJLAP.

### **Judicial Plan**

The Judicial Plan is a single-employer, public employee retirement plan administered in accordance with Sections 476.445 to 476.690, RSMo. Responsibility for the operation and administration of the Judicial Plan is vested in the MOSERS' Board of Trustees. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the Judicial Plan is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Judges are eligible to retire at (1) age 62 with 12 years of credited service, (2) age 60 with 15 years of credited service, or (3) age 55 with 20 years of credited service with benefits equal to one-half of the average monthly compensation of the highest judicial position held during the period of service. COLAs are provided annually based on 80% of the change in the CPI with a minimum of 4% (for members hired prior to August 28, 1997), and maximum of 5%, until the cumulative amount of COLAs equals 65% of the original benefit. Thereafter, the 4% minimum is eliminated. Qualified, terminated-vested members may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least five, but less than ten years of service, be less than age 60, and have a benefit present value of less than \$10,000. On June 30, 2001, membership consisted of the following:

Retirees and beneficiaries currently		
receiving benefits		381
Terminated employees entitled to,		
but not yet receiving benefits		68
Active:		
Vested	381	
Nonvested	0	381
<b>Total membership</b>		<b>830</b>



The Judicial Plan provides retirement, death, and disability benefits to those serving as judges in the state of Missouri. Funding of the Judicial Plan on an actuarial basis began on July 1, 1998, and the state of Missouri is required to make all contributions to the Judicial Plan.

**Missouri State Insurance Plan**

The Missouri State Insurance Plan is accounted for as an internal service fund of the state of Missouri and is administered by MOSERS. It provides basic life insurance for eligible members of the MSEP (except employees of the Missouri Department of Conservation, and the state colleges and universities), members of the Judicial Plan, members of the ALJLAP, and certain members of the Public School Retirement System; a duty-related death benefit; optional life insurance for active employees and retirees who are eligible for basic coverage; and a long-term disability plan for certain eligible members. Due to the nature of MOSERS’ reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the Missouri State Insurance Plan is considered a component unit of the state of Missouri financial reporting entity and is included in the state’s financial reports as an internal service fund.

**(2) Summary of Significant Accounting Policies and Plan Asset Matters**

**Basis of Accounting**

The financial statements of the MSEP, the ALJLAP, the Judicial Plan, and the Missouri State Insurance Plan were prepared using the accrual basis of accounting. Contributions are recognized as revenues in the period in which employee services are performed, and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received or payment is made. The direct method of reporting cash flows is used. For its proprietary activities, MOSERS applies all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

**Cash**

Cash balances represent both operating cash accounts held by the banks and investment cash on deposit with the investment custodian. To maximize investment income, the float caused by outstanding checks is invested, thus causing a possible negative book balance. The negative book balance has been reflected in the liabilities section of the balance sheet of the internal service fund. The negative book balance has been included in the cash and short-term investments on the statements of plan net assets of the pension trust funds. The following is a schedule of the aggregate book and bank balances of all cash accounts. All deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC). In addition to the FDIC insurance coverage on the accounts of MOSERS, the bank pledged the following securities to MOSERS on June 30, 2001, as collateral for overnight repurchase agreements:

\$1,000,000 Federal Home Loan Bank Discount
Note Maturity Date 07/05/2001
\$2,500,000 Federal Home Loan Bank Discount
Note Maturity Date 07/11/2001
\$1,307,062 Small Business Association Pool
#505410 7.375%
Maturity Date 4/01/2014

	Cash Balances	
	Book	Bank
Pension Trust Funds	\$(3,920,085)	\$2,488,780
Internal Service Fund	\$ (10,122)	\$ 38,036

**Method Used to Value Investments**

Investments of the pension trust funds and the internal service fund are reported at fair value.

The schedule on page 31 provides a summary of the fair values of the investments as reported on the statements of plan net assets of the pension trust funds and balance sheet of the internal service fund. Fair values for the equity real estate investments are based on appraisals. Fair values of the venture capital investments are based on valuations of the underlying companies of the limited partnerships. Fair value of the EAFE index fund is determined based on the underlying assets in the fund. The remaining assets are primarily valued by the investment custodian using the last trade price information supplied by various pricing data vendors. On June 30, 2001, the system did not have investments in any one organization, other than those issued by the U.S. government, which represented greater than 5% of plan net assets.

### ***Categories of Asset Risks***

All investments are governed primarily by an investment doctrine known as the prudent expert rule. The prudent expert rule, as set forth by state statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the funds. The Governmental Accounting Standards Board Statement Number 3 requires disclosure of investment securities within the following three categories of custodial credit risk. Category 1 includes investments that are insured or registered or which are held by the system or its agent in the system's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust departments or agent in the system's name. Category 3 includes uninsured and unregistered investments, which are held by the counterparty, its trust department, or agent, but not in the system's name.

A security, for purposes of classification in the categories of asset risks, is a transferable financial instrument that evidences ownership or creditorship. Securities do not include investments made with another party, real estate, or direct investments in mortgages and other loans. Investments in open-end mutual funds, annuity contracts, and guaranteed investment contracts are also not considered securities for purposes of custodial credit risk classification. Such investments are shown as not subject to classification.

### **Total Memorandum Only Columns**

Total columns captioned (Memorandum Only) are to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial positions, results of operations, or cash flows in conformity with accounting principles general accepted in the United States of America. Such data are not comparable to a consolidation since interfund eliminations have not been made.

# INVESTMENTS

As of June 30, 2001

	Pension Trust Funds' Investments at Fair Value	Internal Service Fund Investments at Fair Value	Total (Memorandum Only) Investments at Fair Value
<b>Category 1 Classification</b>			
Common stocks			
not on securities loan	\$ 2,195,233,542		\$ 2,195,233,542
International equities			
not on securities loan	846,223,403		846,223,403
International corporate bonds	11,437,295		11,437,295
Preferred stocks	7,773,662		7,773,662
Treasury bonds, notes, and bills			
not on securities loan	54,013,486		54,013,486
Government bonds and gov't			
mortgage-backed securities			
not on securities loan	312,972,979		312,972,979
Corporate bonds			
not on securities loan	761,325,860		761,325,860
Convertible bonds	3,394,137		3,394,137
Subtotal	4,192,374,363		4,192,374,363
<b>Category 2 Classification</b>			
Repurchase agreements	2,018,972	722,700	2,741,672
Subtotal	2,018,972	722,700	2,741,672
<b>Not Subject to Classification</b>			
Investments held by broker-dealers under			
securities loans for cash collateral			
Common stocks	269,371,112		269,371,112
International investments	100,188,661		100,188,661
Treasury bonds, notes, and bills	701,523,898		701,523,898
Corporate bonds	40,923,378		40,923,378
Government bonds	25,233,668		25,233,668
Short-term investment funds	725,085,796		725,085,796
Collateralized mortgage obligations	79,219,406		79,219,406
Real estate equity holdings	165,173,151		165,173,151
EAFE index fund	321,460,716		321,460,716
Foreign currencies	13,395,649		13,395,649
Venture capital limited partnerships	147,094		147,094
Subtotal	2,441,722,528		2,441,722,528
Total	\$ 6,636,115,864	\$ 722,700	\$ 6,636,838,564
Reconciliation to investments on			
Statements of Plan Net Assets			
Totals above	\$ 6,636,115,864		
Less short-term investments			
Repurchase agreements	(2,018,972)		
Short-term investment funds	(86,865,798)		
Less invested securities lending collateral			
Short-term investment funds	(638,219,998)		
Corporate bonds	(538,782,350)		
Investments on Statements of Plan Net Assets	\$ 5,370,228,746		

## Derivatives

In accordance with its investment policy, MOSERS through its external investment managers, holds investments in futures contracts, swap contracts, and forward foreign currency exchange contracts. The tables below detail the various contracts in the portfolio as of June 30, 2001.

### Futures Contracts

Type	Long/Short	Notional Amount	Exposure
MSCI Taiwan Index	Long	\$ 4,127,760	\$ 87,360
S&P 500 Index	Long	38,490,625	194,806
S&P 500 Index	Long	8,313,975	31,725
Russell 2000 Index	Long	1,683,237	35,350
UST 2- year note	Short	(28,924,827)	2,515
UST 5 -year note	Short	(29,142,927)	40,175
UST 5- year note	Long	9,817,656	(14,844)
UST 10 -year note	Short	(9,786,484)	48,000
UST 10 -year note	Short	(14,834,250)	72,000
UST Bond	Long	3,912,187	(32,906)
SPI 200 Index	Long	1,631,288	16,819
FTSE 100 Index	Long	6,278,577	(19,579)
Hang Seng Index	Long	1,421,152	21,904
TOPIX Index	Long	6,130,852	85,118
OMX Index	Long	1,079,478	
DJ Euro STOXX 50	Long	9,479,295	181,351
TOTAL		\$ 9,677,594	\$ 749,793

### Swaps

Type	MOSERS Pays	MOSERS Receives	Notional Amount	Counterparty Exposure	Counterparty
India Index to LIBOR	LIBOR minus 2.75%	MSCI India Index in US\$	\$ 3,000,000	\$ (21,455)	Lehman
India Index to LIBOR	LIBOR minus 2.50%	MSCI India Index in US\$	2,000,000	(33,308)	Lehman
GSCI to T-bills	Treasury bills	GSCI return minus .65%	124,976,000	(10,202,092)	Goldman Sachs
T-bills to LIBOR	LIBOR	Treasury bills plus .72%	75,000,000	82,563	Bank America
TOTAL			\$ 204,976,000	\$ (10,174,292)	



## Currency Forwards

Type	Long/Short	Book Value	Market Value	Counterparty Exposure	Counterparty
Australia dollar	Long	\$ 6,493,080	\$ 6,688,313	\$ 195,233	Bankers Trust NY
Australia dollar	Long	1,799,970	1,766,491	(33,479)	Lehman
Canada dollar	Long	679,130	679,574	444	Goldman Sachs
Euro	Long	49,919,927	47,474,117	(2,445,810)	Bankers Trust NY
Euro	Long	3,874,448	3,822,227	(52,221)	Goldman Sachs
Euro	Long	9,847,430	9,842,620	(4,810)	Lehman
Euro	Short	(123,898)	(123,731)	167	Mellon Bank NA London
Euro	Long	214,053	213,573	(480)	Mellon Bank NA London
Euro	Short	(62,497)	(62,187)	310	Mellon Bank NA London
Euro	Long	195,400	195,207	(193)	Mellon Bank NA London
Euro	Short	(221,065)	(221,333)	(268)	Mellon Bank NA London
Hong Kong dollar	Long	1,399,983	1,399,851	(132)	Lehman
Hong Kong dollar	Short	(51,937)	(6,658)	45,279	Mellon Bank
Israel Shekel	Short	(26,399)	(26,415)	(16)	Mellon Bank
Japan yen	Long	2,329,306	2,322,429	(6,877)	Goldman Sachs
Japan yen	Short	(2,068,158)	(2,068,788)	(630)	Goldman Sachs
Japan yen	Long	7,177,038	6,882,225	(294,813)	Lehman
Japan yen	Long	283,562	283,660	98	Mellon Bank NA London
South Africa rand	Short	(4,688)	(4,686)	2	Mellon Bank
Sweden krona	Long	1,319,538	1,287,588	(31,950)	Lehman
Switzerland franc	Long	123,898	123,450	(448)	Mellon Bank NA London
Turkish LIRA	Short	(4,671)	(5,932)	(1,261)	Mellon Bank
United Kingdom pound	Long	7,494,112	7,339,957	(154,155)	Bankers Trust NY
United Kingdom pound	Short	(64,053,007)	(62,299,369)	1,753,638	Bankers Trust NY
United Kingdom pound	Short	(2,566,776)	(2,554,595)	12,181	Goldman Sachs
United Kingdom pound	Long	6,423,307	6,371,659	(51,648)	Lehman
United Kingdom pound	Short	(335,053)	(336,024)	(971)	Mellon Bank NA London
United States dollar	Long	7,640,000	7,640,000		Bankers Trust NY
United States dollar	Long	4,634,934	4,634,934		Goldman Sachs
United States dollar	Long	42,411	42,411		Mellon Bank
United States dollar	Short	(7,494,112)	(7,494,112)		Bankers Trust NY
United States dollar	Short	(6,882,885)	(6,882,885)		Goldman Sachs
United States dollar	Short	(27,967,266)	(27,967,266)		Lehman
United States dollar	Short	(74,400)	(74,400)		Mellon Bank NA London
<b>TOTAL</b>		<b>\$ (45,285)</b>	<b>\$ (1,118,095)</b>	<b>\$ (1,072,810)</b>	

MOSERS does not anticipate additional significant market risk from the swap arrangements. Forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign equities, primarily denominated in European and Asian currencies.

MOSERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. MOSERS' investment managers seek to control this risk through counterparty credit evaluations and approvals, collateral support agreements, counterparty credit limits, and exposure monitoring procedures. MOSERS anticipates that the counterparties will be able to satisfy their obligations under the contracts.

MOSERS invests in mortgage-backed securities, which are reported at fair value in the Statements of Plan Net Assets of Pension Trust Funds and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates, thereby reducing the value of these securities. MOSERS invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk.

### **Securities Lending Program**

The board of trustees' investment policy permits the pension trust funds to participate in a securities lending program. Certain securities of the pension trust funds are loaned to participating brokers who provide collateral in the form of cash, U.S. Treasury or government agency securities, or letters of credit issued by approved banks. Collateral must be provided in the amount of 102% of market value for domestic loans and 105% of market value for international loans. MOSERS does not have the authority to pledge or sell collateral securities, without borrower default. Securities on loan at fiscal year end for cash collateral are presented as not subject to classification in the schedule on page 31; securities on loan for noncash collateral are classified according to the category pertaining to the collateral. In management's opinion, securities lending transactions do not expose the System to a material credit risk at June 30, 2001.

On June 30, 2001, the domestic equity lending program was managed by Lehman Brothers. In this program, Lehman Brothers functions as the exclusive borrower of MOSERS' domestic equities. MOSERS receives an annual fee from Lehman Brothers that is guaranteed. The guaranteed fee is renegotiated on a periodic basis to adjust for changes in the securities lending business climate. Daily monitoring of securities on loan ensure proper collateralization levels and mitigate counterparty risk. For all of the securities lending operational services, the custodian is paid an annual fee, which is netted out against the guaranteed fees paid by Lehman Brothers and Credit Suisse/First Boston (CSFB). Cash collateral from this program is invested in a separately managed short-term investment fund. This cash collateral fund, which only includes the cash collateral for MOSERS' securities lending programs, is managed by CSFB. On June 30, 2001, the cash collateral fund had a weighted average maturity of 31 days.

On June 30, 2001, the fixed income and international securities lending programs were managed by CSFB. The majority of fixed income and international loans are open loans and can be terminated on demand by either MOSERS or the borrower. Cash collateral from these loans is invested in a short-term investment fund managed by CSFB. The cash collateral investment pool had a weighted average maturity of 31 days as of June 30, 2001. Net income

derived from the fixed income and international equity lending programs is guaranteed by CSFB. CSFB, the "AA-rated" parent bank, also provides indemnification for broker default.

### **(3) Contributions and Reserves**

The MSEP, the ALJLAP, and the Judicial Plan are pension plans covering substantially all state of Missouri employees, administrative law judges and legal advisors in the Division of Workers' Compensation, and judges. The state of Missouri is obligated by state law to make all required contributions to the plans. The required contributions are expressed as a level percentage of covered payroll and are actuarially determined using an individual entry-age actuarial cost method. The unfunded accrued liabilities are amortized over a closed 34-year period. Costs of administering the plans are financed from the assets of the pension trust funds.

### **(4) Other Postemployment Benefits (OPEB)**

In addition to the retirement benefits provided through MOSERS, the state of Missouri also funds, either partially or in its entirety, OPEB for eligible retirees as follow:

#### **Retiree Life Insurance**

Members, who retire on or after October 1, 1985, are eligible for \$5,000 of state-sponsored, basic life insurance coverage if they retire directly from active employment. As of June 30, 2001, 9,834 retirees were eligible and participating in the program. The coverage is financed on a pay-as-you-go basis and is purchased as a group policy through competitive bids at a current cost of \$10.35 per month per eligible participant (\$1,085,956 for the year ended June 30, 2001). Premiums are paid entirely by the state as provided for by Section 104.515, RSMo.

Retirees of the Department of Labor and Industrial Relations (DOLIR), who retired prior to January 1, 1996, are eligible for state-sponsored life insurance coverage in the same amount of coverage they were receiving through the DOLIR. As of June 30, 2001, 652 retirees were eligible and participating in the program. The coverage is financed on a pay-as-you-go basis and is purchased as a group policy through competitive bids at a current cost of \$2.07 per

thousand dollars of coverage, per month, per eligible participant (\$73,265 for the year ended June 30, 2001). Premiums are paid entirely by the DOLIR as provided for by Section 228.225, RSMo. Retirees of the DOLIR who retired on or after January 1, 1996, are eligible for \$5,000 of state-sponsored life insurance coverage if they retire directly from active employment. They are included in the group described in the preceding paragraph.

#### **(5) Plan Termination**

MOSERS and its related plans are administered in accordance with Missouri statutes. The statutes do not provide for termination of the plans under any circumstances.

#### **(6) Contingencies**

Included in MOSERS' real estate investments is property located in Kansas City, Missouri, which has been found to have hazardous substance contamination. MOSERS is currently participating in the Petroleum Storage Tank Insurance Fund administered by the Missouri Department of Natural Resources in order to delineate the scope and magnitude of the contamination and determine what appropriate remedial action is needed. Based on the available information, the system's management believes it is not reasonably possible to predict the amount of additional expense MOSERS may incur. Accordingly, no provision has been made in the accompanying financial statements for this matter.

MOSERS is a defendant in several lawsuits which, in management's opinion, will not have a material effect on the financial statements.

# REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULES OF FUNDING PROGRESS

### Pension Trust Funds

#### *Missouri State Employees' Plan*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/1992	\$ 1,991,215,165	\$ 2,291,583,890	\$ 300,368,725	86.9%	\$ 1,030,240,894	29.2%
6/30/1993	2,236,558,738	2,447,222,059	210,663,321	91.4	1,063,246,615	19.8
6/30/1994	2,425,134,503	2,919,456,424	494,321,921	83.1	1,124,862,008	43.9
6/30/1995	2,649,077,133	3,150,796,579	501,719,446	84.1	1,198,938,042	41.8
6/30/1996	2,927,896,642	3,440,126,482	512,229,840	85.1	1,267,605,000	40.4
6/30/1997	3,580,974,502	4,484,047,800	903,073,299	79.9	1,359,656,666	66.4
6/30/1998	4,210,635,094	4,918,887,183	708,252,089	85.6	1,459,712,203	48.5
6/30/1999	4,908,820,033	5,505,968,629	597,148,596	89.2	1,564,552,532	38.2
6/30/2000	5,511,714,616	5,920,684,192	408,969,576	93.1	1,683,697,080	24.3
6/30/2001	5,881,232,850	6,065,166,716	183,933,866	97.0	1,758,190,268	10.5

#### *Administrative Law Judges and Legal Advisors' Plan*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/1992	\$ 5,247,546	\$ 7,483,415	\$ 2,235,869	70.1%	\$ 1,725,380	129.6%
6/30/1993	5,864,317	8,164,468	2,300,151	71.8	1,931,355	119.1
6/30/1994	6,229,224	8,766,732	2,537,508	71.1	2,094,062	121.2
6/30/1995	6,655,207	9,729,955	3,074,748	68.4	2,166,275	141.9
6/30/1996	7,258,814	10,276,363	3,017,549	70.6	2,706,314	111.5
6/30/1997	8,864,395	11,427,181	2,562,786	77.6	2,865,733	89.4
6/30/1998	10,285,233	12,886,908	2,601,675	79.8	2,806,436	92.7
6/30/1999	11,763,737	14,774,525	3,010,788	79.6	3,488,698	86.3
6/30/2000	13,191,825	16,521,743	3,329,918	79.8	4,072,888	81.8
6/30/2001	14,410,199	16,809,962	2,399,763	85.7	4,661,020	51.5

#### *Judicial Plan*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/1992	\$ 0	\$ 127,140,534	\$ 127,140,534	0.0%	\$ 26,402,164	481.6%
6/30/1993	0	132,441,964	132,441,964	0.0	26,641,236	497.1
6/30/1994	0	141,595,625	141,595,625	0.0	27,006,602	524.3
6/30/1995	0	153,646,982	153,646,982	0.0	27,984,008	549.1
6/30/1996	0	161,734,110	161,734,110	0.0	29,908,056	540.8
6/30/1997	0	197,472,573	197,472,573	0.0	31,663,101	623.7
6/30/1998	0	207,579,797	207,579,797	0.0	32,446,141	639.8
6/30/1999	6,067,305	227,802,341	221,735,036	2.7	34,162,013	649.1
6/30/2000	13,861,769	241,797,341	227,935,572	5.7	37,107,487	614.3
6/30/2001	22,613,050	247,978,904	225,365,854	9.1	38,687,793	582.5

See *Notes to the Schedules of Required Supplementary Information*.  
See accompanying *Independent Auditors' Report*.

# REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULES OF EMPLOYER CONTRIBUTIONS

### Pension Trust Funds

#### *Missouri State Employees' Retirement System*

Year Ended June 30	Annual Required Contribution		Percentage Contributed
	Percent	Dollar Amount	
1992	9.65%	\$ 100,672,145	100%
1993	9.68	102,988,219	100
1994	9.49	106,681,308	100
1995	9.04	108,902,372	100
1996	10.69	137,007,112	100
1997	10.66	146,383,371	100
1998	10.40	152,090,687	100
1999	12.58	197,909,834	100
2000	11.91	202,330,547	100
2001	11.59	215,750,128	100

#### *Administrative Law Judges and Legal Advisors' Plan*

Year Ended June 30	Annual Required Contribution		Percentage Contributed
	Percent	Dollar Amount	
1992	25.51%	\$ 500,250	100%
1993	27.77	548,707	100
1994	24.18	502,019	100
1995	22.50	498,233	100
1996	21.16	548,276	100
1997	22.60	652,709	100
1998	19.66	564,295	100
1999	18.70	639,285	100
2000	20.10	807,022	100
2001	22.32	1,074,946	100

#### *Judicial Plan*

Year Ended June 30	Annual Required Contribution		Percentage Contributed
	Percent	Dollar Amount	
1992	37.78%	\$ 9,974,738	74%
1993	40.93	10,904,258	71
1994	40.12	10,835,049	76
1995	40.85	11,431,467	80
1996	43.14	12,902,335	77
1997	46.50	14,723,342	71
1998	45.91	14,896,023	77
1999	51.81	17,862,353	100
2000	53.92	19,988,676	100
2001	55.30	22,473,913	100

See *Notes to the Schedules of Required Supplementary Information*.  
See accompanying *Independent Auditors' Report*.



# NOTES TO THE SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2001

## **Actuarial Methods and Assumptions for Valuations Performed June 30, 2001**

The entry-age normal actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities. Unfunded, actuarial accrued liabilities are amortized to produce payments (principal and interest), which are expressed as a percent of payroll. A closed 34-year amortization period was used for the June 30, 2001, valuations. The actuarial value of assets is based on a method that fully recognizes expected investment return and averages unanticipated market return over a 5-year period. The investment return rate assumption used is 8.5% per year, compounded annually (net after investment expenses). The price inflation assumption used is 3.5% per year. Projected salary increase assumptions are based on 4.0% per year for wage inflation plus an additional 0.0% to 2.7% per year for the MSEP and 0.0% to 1.6% per year for the ALJLAP and the Judicial Plan (depending on age, attributable to seniority, and/or merit increases). The assumption used for annual postretirement benefit increases is 4.25% (on a compound basis), when a minimum COLA of 4% is in effect, and 3.6% (on a compound basis), when no minimum COLA is in effect.

## **Factors That Have Significantly Affected Trends**

**1992** - The actuarial valuations as of June 30, 1992, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1994.

	<b><u>Amount</u></b>	<b><u>Percent of Payroll</u></b>
<b>MSEP</b>		
Change in benefits and assumptions	\$(4,017,939)	(.39)%
Experience and nonrecurring items	2,060,482	.20
<b>ALJLAP</b>		
Change in assumptions	(23,293)	(1.35)
Experience and nonrecurring items	(38,649)	(2.24)

**1994** - The actuarial valuations as of June 30, 1994, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1996.

	<b><u>Amount</u></b>	<b><u>Percent of Payroll</u></b>
<b>MSEP</b>		
Change in benefits and assumptions	\$31,496,136	2.80%
Experience and nonrecurring items	(12,935,913)	(1.15)
<b>ALJLAP</b>		
Change in benefits and assumptions	21,359	1.02
Experience and nonrecurring items	(49,420)	(2.36)

**1996** - The actuarial valuations as of June 30, 1996, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1998.

	<u>Amount</u>	<u>Percent of Payroll</u>
<b>MSEP</b>		
Change in benefits and assumptions	\$(1,774,647)	(0.14)%
Experience and nonrecurring items	(1,521,126)	(0.12)
<b>ALJLAP</b>		
Change in benefits and assumptions	(43,572)	(1.61)
Experience and nonrecurring items	(35,994)	(1.33)

**1997** - During the year ended June 30, 1997, the MSEP experienced a net change of \$1,043,921,000 in the actuarial accrued liability. Of the change, \$660,195,000 was attributable to plan amendments, and \$53,365,000 was attributable to a change in actuarial assumptions.

During the year ended June 30, 1997, the ALJLAP experienced a net change of \$1,150,818 in the actuarial accrued liability. Of the change, \$1,055,550 was attributable to plan amendments.

During the year ended June 30, 1997, the Judicial Plan experienced a net change of \$35,738,463 in the actuarial accrued liability. Of the change, \$23,140,721 was attributable to plan amendments.

The actuarial valuations as of June 30, 1997, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1999.

	<u>Amount</u>	<u>Percent of Payroll</u>
<b>MSEP</b>		
Change in benefits and assumptions	\$44,188,842	3.25%
Experience and nonrecurring items	(14,548,326)	(1.07)
<b>ALJLAP</b>		
Change in benefits and assumptions	45,565	1.59
Experience and nonrecurring items	(73,076)	(2.55)
<b>Judicial Plan</b>		
First year for funding of benefits previously paid on a pay-as-you-go basis	16,404,653	51.81

**1998** - The actuarial valuations as of June 30, 1998, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2000.

	<u>Amount</u>	<u>Percent of Payroll</u>
<b>MSEP</b>		
Experience and nonrecurring items	\$(9,780,072)	(0.67)%
<b>ALJLAP</b>		
Experience and nonrecurring items	39,290	1.40
<b>Judicial Plan</b>		
Experience and nonrecurring items	684,614	2.11

**1999** - The actuarial valuations as of June 30, 1999, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2001.

	<u>Amount</u>	<u>Percent of Payroll</u>
<b>MSEP</b>		
Change in benefits	\$ 6,258,206	0.40%
Experience and nonrecurring items	(11,264,771)	(0.72)
<b>ALJLAP</b>		
Change in benefits	72,914	2.09
Experience and nonrecurring items	4,535	.13
<b>Judicial Plan</b>		
Change in benefits	321,123	.94
Experience and nonrecurring items	150,313	.44

**2000** - The actuarial valuations as of June 30, 2000, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2002.

	<u>Amount</u>	<u>Percent of Payroll</u>
<b>MSEP</b>		
Change in assumptions	\$ (5,051,091)	(.30)%
Experience and nonrecurring items	(10,438,922)	(.62)
<b>ALJLAP</b>		
Change in assumptions	36,656	.90
Experience and nonrecurring items	(51,726)	(1.27)
<b>Judicial Plan</b>		
Change in assumptions	(315,414)	(.85)
Experience and nonrecurring items	(352,521)	(.95)

**2001** - The actuarial valuations as of June 30, 2001, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2003.

	<u>Amount</u>	<u>Percent of Payroll</u>
<b>MSEP</b>		
Change in assumptions	\$ (41,844,928)	(2.38)%
Release of asset funding margin	(15,647,893)	(.89)
Change in asset valuation method	(3,868,019)	(.22)
Plan experience	12,483,151	.71
<b>ALJLAP</b>		
Change in assumptions	\$(105,339)	(2.26)
Change in amortization of UAAL	(88,559)	(1.90)
Change in asset valuation method	(4,195)	(.09)
Plan experience	49,873	1.07
<b>Judicial Plan</b>		
Change in assumptions	(1,133,552)	(2.93)
Change in asset valuation method	(197,308)	(.51)
Plan experience	441,041	1.14

# SCHEDULE OF INVESTMENT EXPENSES

## Pension Trust Funds

Year Ended June 30, 2001

	Missouri State Employees' Plan	Administrative Law Judges and Legal Advisors' Plan	Judicial Plan	Total (Memorandum Only)
<b><i>Investing activity</i></b>				
<b><i>Investment management fees</i></b>				
<b>Fixed income managers</b>				
BlackRock Financial Management L.P.	\$ 334,021	\$ 814	\$ 1,165	\$ 336,000
Hoisington Investment Management Company	198,822	485	693	200,000
<b>Equity managers</b>				
<b>Domestic equities</b>				
Americap Advisors	436,452	1,064	1,522	439,038
Capital Guardian Trust	407,893	994	1,422	410,309
Dimensional Fund Advisors Inc.	562,194	1,370	1,960	565,524
Oak Associates, Ltd.	(1,295,853)	(3,158)	(4,519)	(1,303,530)
Oakbrook Investments	27,993	68	98	28,159
Lend Lease Rosen	19,882	48	70	20,000
Zak Capital, Inc.	1,775,352	4,327	6,191	1,785,870
<b>International equities</b>				
Merrill Lynch EAFE	684,633	1,669	2,387	688,689
Merrill Lynch Emerging Markets	192,813	470	672	193,955
Mastholm Investment Managers	1,487,567	3,626	5,187	1,496,380
Silchester International Investors	1,768,176	4,309	6,166	1,778,651
<b>Other managers</b>				
<b>Venture capital</b>				
Brinson Partners, Inc.	2,004	5	7	2,016
<b>Diversification pool</b>				
NISA Investment Advisors, LLC	208,763	509	728	210,000
Total investment management fees	6,810,712	16,600	23,749	6,851,061
<b><i>Other investment fees</i></b>				
<b>Investment consultant fees</b>				
Summit Strategies, Inc.	264,326	644	922	265,892
<b>Investment custodial fees</b>				
Deutsche Bank/Mellon Bank	767,749	1,871	2,677	772,297
<b>Performance measurement fees</b>				
Deutsche Bank/Mellon Bank	62,952	153	220	63,325
<b>Portfolio rebalancing costs</b>				
Deutsche Bank/Mellon Bank	154,588	377	539	155,504
<b><i>Internal Investment Activity Expenses</i></b>	1,093,958	2,666	3,815	1,100,439
Total investing activity expenses	9,154,285	22,311	31,922	9,208,518
<b><i>Securities lending activity</i></b>				
<b>Securities lending borrower rebates</b>	11,760,009	28,663	41,008	11,829,680
<b>Securities lending management fees</b>				
Deutsche Bank/Mellon Bank	186,005	453	649	187,107
Credit Suisse First Boston	857,704	2,091	2,990	862,785
Total securities lending activity expenses	12,803,718	31,207	44,647	12,879,572
Total investment expenses	\$ 21,958,003	\$ 53,518	\$ 76,569	\$ 22,088,090

See accompanying *Independent Auditors' Report*.

# SCHEDULE OF INTERNAL INVESTMENT ACTIVITY EXPENSES

Year Ended June 30, 2001

	Missouri State Employees' Plan	Administrative Law Judges and Legal Advisors' Plan	Judicial Plan	Total (Memorandum Only)
<b>Personal services</b>				
Salaries	\$ 612,858	\$ 1,494	\$ 2,138	\$ 616,490
Employee fringe benefits	143,278	349	500	144,127
Total personal services	756,136	1,843	2,638	760,617
<b>Professional services</b>				
Attorney services	8,336	20	29	8,385
Consulting services	5,476	13	19	5,508
Total professional services	13,812	33	48	13,893
<b>Communications</b>				
Telephone	1,483	4	5	1,492
Total communications	1,483	4	5	1,492
<b>Equipment</b>				
Maintenance	38,188	93	133	38,414
Total equipment	38,188	93	133	38,414
<b>Travel and meetings</b>				
Staff travel and meetings	50,174	122	175	50,471
Total travel and meetings	50,174	122	175	50,471
<b>General</b>				
Educational materials	4,887	12	17	4,916
Office supplies	328	1	1	330
Subscriptions and dues	228,950	558	798	230,306
Total general	234,165	571	816	235,552
Total internal investment activity expenses	\$ 1,093,958	\$ 2,666	\$ 3,815	\$ 1,100,439

See accompanying *Independent Auditors' Report*.



# SCHEDULE OF ADMINISTRATIVE EXPENSES

Year Ended June 30, 2001

	Missouri State Employees' Plan	Administrative Law Judges and Legal Advisors' Plan	Judicial Plan	Total (Memorandum Only)
<b><i>Personal services</i></b>				
Salaries	\$ 2,462,378	\$ 6,002	\$ 8,586	\$ 2,476,966
Employee fringe benefits	663,582	1,617	2,314	667,513
Total personal services	3,125,960	7,619	10,900	3,144,429
<b><i>Professional services</i></b>				
Actuarial services	181,203	442	632	182,277
Attorney services	77,114	188	269	77,571
Auditing services	34,595	84	121	34,800
Banking services	16,604	40	58	16,702
Consulting services	41,371	101	144	41,616
Total professional services	350,887	855	1,224	352,966
<b><i>Communications</i></b>				
Postage and mailing	329,754	804	1,150	331,708
Telephone	95,683	233	334	96,250
Printing	268,977	656	938	270,571
Video production	3,279	8	11	3,298
Total communications	697,693	1,701	2,433	701,827
<b><i>Building and grounds</i></b>				
Depreciation	78,376	191	273	78,840
Utilities	40,515	99	141	40,755
Maintenance	33,778	82	118	33,978
Total building and grounds	152,669	372	532	153,573
<b><i>Equipment</i></b>				
Depreciation	307,355	749	1,072	309,176
Maintenance	171,407	418	598	172,423
Rental	54,815	134	191	55,140
Loss on sale of equipment	(1,649)	(4)	(6)	(1,659)
Total equipment	531,928	1,297	1,855	535,080
<b><i>Travel and meetings</i></b>				
Board travel and meetings	36,711	89	128	36,928
Staff travel and meetings	269,596	657	940	271,193
Vehicle maintenance and operation	4,771	12	17	4,800
Total travel and meetings	311,077	758	1,085	312,921
<b><i>General</i></b>				
Educational materials	13,029	32	45	13,106
Office supplies	105,996	258	370	106,624
Subscriptions and dues	143,852	351	502	144,705
Insurance	77,301	188	270	77,759
Advertising	5,083	12	18	5,113
Temporary help	2,001	5	7	2,013
Miscellaneous	232,487	567	810	233,864
Total general	579,749	1,413	2,022	583,184
Total administrative expenses	\$ 5,749,964	\$ 14,015	\$ 20,051	\$ 5,784,031

See accompanying *Independent Auditors' Report*.

# SCHEDULE OF ADMINISTRATIVE EXPENSES

## Internal Service Fund

Year Ended June 30, 2001

<b>Personal services</b>	
Salaries	\$ 213,139
Employee fringe benefits	55,922
Total personal services	269,061
<b>Professional services</b>	
Attorney services	7,038
Auditing services	2,398
Banking services	2,500
Total professional services	11,936
<b>Communications</b>	
Postage and mailing	2,243
Telephone	6,734
Video production expense	227
Total communications	9,204
<b>Building and grounds</b>	
Building use charge	7,884
Utilities	2,808
Maintenance	2,341
Total building and grounds	13,033
<b>Equipment</b>	
Equipment use charge	31,053
Maintenance	14,391
Rental	3,799
Total equipment	49,243
<b>Travel and meetings</b>	
Board travel and meetings	2,544
Staff travel and meetings	22,163
Vehicle maintenance and operation	331
Total travel and meetings	25,038
<b>General</b>	
Educational materials	1,242
Office supplies	7,369
Subscriptions and dues	2,818
Insurance	5,358
Advertising	352
Temporary help	139
Miscellaneous	16,113
Total general	33,391
Total administrative expenses	\$ 410,906

See accompanying *Independent Auditors' Report*.

# SCHEDULE OF PROFESSIONAL/CONSULTANT FEES

Year Ended June 30, 2001

Professional /Consultant	Nature of Service	Pension Trust Funds			Total (Memorandum Only)	Internal Service Fund
		Missouri State Employees' Plan	Administrative Law Judges and and Legal Advisors' Plan	Judicial Plan		Missouri State Insurance Plan
Gabriel, Roeder, Smith & Co.	Actuarial service	\$ 181,203	\$ 442	\$ 632	\$ 182,277	\$ 0
Thompson Coburn	Legal counsel	77,114	188	269	77,571	7,038
KPMG LLP	Financial audit	34,595	84	121	34,800	2,398
Jack Pierce	Governmental pension consulting	24,853	61	86	25,000	0
Central Bank	Banking services	16,604	40	58	16,702	2,500
SONACOM IT Partners	Phone system consulting	8,824	21	31	8,876	0
Charlesworth & Associates	Risk consulting	5,964	15	21	6,000	0
Global Reach Internet Productions	Web site development	1,730	4	6	1,740	0
Total professional/consultant fees		\$ 350,887	\$ 855	\$ 1,224	\$ 352,966	\$ 11,936

See accompanying *Independent Auditors' Report*.

Information on investment management and consulting fees can be found in the Schedule of Investment Expenses on page 42.

# INVESTMENT SUMMARY

## Pension Trust Funds

Year Ended June 30, 2001

Type of Investment	June 30, 2000				June 30, 2001			
	Cost Value	Fair Value	Purchases and Capital Additions at Cost	Sales and Redemptions at Cost	Cost Value	Fair Value	Percent of Total Fair Value	
<b>Fixed income</b>								
Treasury bonds, notes, and bills	\$ 702,639,823	\$ 717,526,931	\$ 558,567,468	\$ (578,262,572)	\$ 682,944,719	\$ 755,537,384	14%	
Gov. bonds and govt. mortgage-backed securities	288,953,521	286,935,104	491,361,388	(447,753,326)	332,561,583	338,206,647	6	
Corporate bonds	244,304,566	242,917,765	1,188,847,329	(1,172,294,025)	260,857,870	263,466,888	5	
Convertible bonds	0	0	3,500,032	0	3,500,032	3,394,137	0	
Collateralized mortgage obligations	33,301,039	33,246,723	77,686,096	(33,301,038)	77,686,097	79,219,406	2	
Total fixed income	1,269,198,949	1,280,626,523	2,319,962,313	(2,231,610,961)	1,357,550,301	1,439,824,462	27	
<b>Common stock</b>	2,232,419,345	2,683,887,291	1,941,812,633	(1,905,575,000)	2,268,656,978	2,464,604,653	46	
<b>Preferred stock</b>	3,991	1,500	8,480,162	(166,379)	8,317,774	7,773,662	0	
<b>International investments</b>								
International equities	959,626,837	1,027,587,931	1,142,475,676	(1,154,509,931)	947,592,582	946,412,064	18	
International corporate bonds	31,477,178	31,183,355	54,630,638	(74,737,566)	11,370,250	11,437,295	0	
Foreign currency	15,594,033	17,591,411	37,452,924	(37,854,801)	15,192,156	13,395,649	0	
EAFE index fund	390,498,650	425,676,223	0	(4,157,273)	386,341,377	321,460,716	6	
Total international investments	1,397,196,698	1,502,038,920	1,234,559,238	(1,271,259,571)	1,360,496,365	1,292,705,724	24	
<b>Real estate</b>								
Equity holdings	7,330,533	6,810,001	157,899,345	(10,787,882)	154,441,996	165,173,151	3	
Closed-end real estate fund	1,713,871	21,321	0	(1,713,871)	0	0	0	
Total real estate	9,044,404	6,831,322	157,899,345	(12,501,753)	154,441,996	165,173,151	3	
<b>Venture capital limited partnerships</b>	498,724	370,432	0	(498,724)	0	147,094	0	
<b>Investments (per Statement of Plan Net Assets page 22)</b>	4,908,362,111	5,473,755,988	5,662,713,691	(5,421,612,388)	5,149,463,414	5,370,228,746	100%	
<b>Short-term investments</b>								
Short-term investment funds	84,169,996	84,169,996	42,051,649,646	(42,048,953,844)	86,865,798	86,865,798		
Repurchase agreements	1,414,469	1,414,469	604,504	0	2,018,973	2,018,973		
Total short-term investments	85,584,465	85,584,465	42,052,254,150	(42,048,953,844)	88,884,771	88,884,771		
<b>Invested securities lending collateral</b>								
Corporate bonds			538,796,424		538,796,424	538,782,350		
Short-term investment funds	868,040,861	868,040,861	52,244,463,493	(52,474,284,357)	638,219,997	638,219,997		
Total invested securities lending collateral	868,040,861	868,040,861	52,783,259,917	(52,474,284,357)	1,177,016,421	1,177,002,347		
<b>Total investments</b>	\$5,861,987,437	\$6,427,381,314	\$100,498,227,758	\$(99,944,850,589)	\$6,415,364,606	\$6,636,115,864		

See accompanying *Independent Auditors' Report*.

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS' office.

# INVESTMENT SUMMARY

## Internal Service Fund

Year Ended June 30, 2001

Type of Investment	June 30, 2000				June 30, 2001		Percent of Total Fair Value
	Book Value	Fair Value	Purchases	Sales and Redemptions	Book Value	Fair Value	
Repurchase agreements	\$ 633,539	\$ 633,539	\$ 414,644,329	\$ 414,555,168	\$ 722,700	\$ 722,700	100%

See accompanying *Independent Auditors' Report*.

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS' office.



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...TO LIVE A LITTLE?



# CHIEF INVESTMENT OFFICER'S REPORT



*Rick Dahl*  
*Chief Investment Officer*

September 7, 2001

Dear Members:

It is a privilege to present this year's investment section of the *MOSERS' Comprehensive Annual Financial Report*. The following are a few highlights of the year:

- ◆ As of June 30, 2001, MOSERS was one of the 200 largest defined benefit plans in the United States with total assets of just over \$5.4 billion.
- ◆ While the fund generated a loss for the year of nearly \$120 million or -2.2% net of expenses, on a relative basis, the fund had its best year on record outperforming the policy benchmark by \$465 million or 8.4%. In addition, the fund finished the year in the top 10% of funds in our peer universe as measured by the Independent Consultants Cooperative.
- ◆ For the year, the fund spent approximately \$11.0 million for management of the assets, which was approximately \$5.6 million less than the median fund in our peer group. Keeping costs low is important, as there is no historical evidence to suggest that paying more translates into better returns.
- ◆ MOSERS' internal investment department manages approximately \$2.1 billion in assets or about 40% of the fund. All of these internally managed portfolios have met or exceeded expectations, with very low management cost.

It is also worth noting that total earnings for the last five years were \$2.2 billion. Over that time period, the fund generated an annualized rate of return of 10.5% net of expenses compared to 9.3% for the policy benchmark. This return places MOSERS in the top one-third of funds in our peer universe.

Looking back over the last year there are several ways to describe the events that unfolded in the world of investing. One such description might be, "Easy.com, Easy.go." Another might be, "what the stock market giveth, the stock market may taketh away." Fiscal year 2001 was, no doubt, a year many would like to forget. A giant bear that had been hibernating since the early 1970's mauled stock markets around the globe. The MOSERS' portfolio was not immune to this downturn and experienced its first negative return for a fiscal year since the early 1990's. Our performance was actually quite remarkable given the fact that 75% of the portfolio was invested in common stocks. The primary driver of our excellent year relative to the markets was our portfolio's overweight to smaller stocks and value stocks, coupled with fantastic returns from our active manager group. I should point out that these pieces of the portfolio puzzle were the exact things in the previous three years that were a drag on the portfolio

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[www.mosers.org](http://www.mosers.org)

returns relative to a market capitalization weighted portfolio like the S&P 500. Fiscal year 2001 was without a doubt a year of change - change in the economy, change in market leadership, change in future expectations for stocks, and change in investors' willingness to speculate on future.com dreams.

How could things be so different than they were in early 2000? In attempting to explain this, I would like to use the following analogy. Think about a big pendulum swinging back and forth, the laws of physics pushing it from one side to the other and the height at which it swings to one side totally dependent upon the height it reached on the other side just before. Having that clearly in focus, now turn your attention to the economy, corporate profits, and the stock market. When the economy is expanding and corporate profits are growing, stock prices increase, and investors enjoy the "good side" of the swing. On the other hand, when the economy falters, corporate profits shrink, stock prices decline, and investors pay the price. We'll call this the "bad side" of the swing. What took place in fiscal year 200, and continues as I write this letter, is no more than the pendulum swinging to the bad side. The problem with this particular bad side swing is the good side swing that immediately preceded it had the force of a rocket propelled by a "super fuel" called productivity. The advances in productivity in the late 1990's gave the rocket newfound power, and with its newfound power it continued its good side advance well beyond where it would have stopped otherwise. The stocks that investors perceived would benefit most from this "super fuel" were the technology, media, and telecom stocks (then called TMT). Because of the "super fuel," many investors believed that the laws of physics had been repealed and pushed valuations, and therefore the pendulum, even further. "Houston, we have a problem!" Someone forgot to refill the rocket with "super fuel." "Over." Oops, we all know what happens when rockets run out of fuel. The rocket (pendulum) stops, reverses direction, and well, the rest needs no analogy. In hindsight, it's easy to observe that the last drop of "super fuel" was used up in early April 2000. For the last 18 months the economy, corporate profits, and the market have been experiencing the pendulum's bad side swing. Don't fool yourself. The force, with which the pendulum has and will continue to swing down and through vertical, will be directly related to the stratospheric heights it reached on the good side. This downturn has not and should not have been expected to be a mild downturn, and, in my view, things will continue to be difficult for stocks for some time to come. While it is really anyone's guess as to where the pendulum is today, I believe that it is somewhere past vertical, but not nearing reversal. Upon reaching the reversal stage, many investors will literally be throwing in the towel. Don't you be a towel thrower. When the reversal takes place, I believe the next good side swing will be much less exciting than the last, as the "super fuel" was really just a flash in the pan, and its impact on things to come for the foreseeable future will be marginal at best. Therefore, the force of the pendulum will slow, providing less violent upside and downside swings than we have experienced in the most recent cycle.

So what should an investor be doing in this environment? The irony is, at a big picture level, the story is no different than it was one, five, or ten years ago. The difference is, given the events of the last 18 months, the noise from the rocket has subsided, and the story might be a little easier to hear today.

- ◆ Diversify among asset classes that don't move in the same direction at the same time. MOSERS does this by investing in U.S. stocks (large, small, value, and growth), international stocks (large, small, value, and growth), traditional bonds (treasuries, corporates, mortgages, and asset backs), inflation indexed bonds, commodities, and real estate investment trusts (REITs).
- ◆ Remember, investing is a continuous process; it isn't supposed to be exciting. It's a responsibility. If you go to the stock market because you want excitement, then sooner or later you will lose. Stick to a common sense, systematic strategy that you understand and will not become concerned with should it move against you for a period of time. Because it will, I guarantee it.

- ◆ Implement a strategy to systematically rebalance your portfolio. By systematically selling investments back to their target allocations as they perform better than some of your other investments and using the proceeds to buy more of the underperformers you are “selling high and buying low.”
- ◆ Don't get great companies confused with great investments; price matters. In March 2000, Cisco was a great company, but the market demanded a price for Cisco stock that made it an investment with a low likelihood of success for someone buying at that point. At that time, built into the price was an expectation that Cisco would grow earnings at 50% a year forever. Only a handful of companies have been able to maintain 20% growth rates for long periods of time, and no company has ever come close to growing earnings at 50% for long periods of time.
- ◆ Prevent yourself from falling victim to the herd mentality. It is very easy to follow the herd, but the problem is the herd is seldom right. Sticking to a disciplined approach that matches your long-term objectives will help keep your emotions on the sidelines where they belong. There will be many temptations along the way; just say no.

And last but not least;

- ◆ Always question new era "paradigm shifts" and the “super fuel” that propels them.

Until next year,



Rick Dahl  
Chief Investment Officer



# INVESTMENT CONSULTANT'S REPORT



## **Summit Strategies Group**

7700 Bonhomme Ave.  
Suite 300  
St. Louis, MO 63105  
314-727-7211  
314-727-6068 Fax

September 7, 2001

Dear Members:

In preparing to write this letter, I started by reading last year's letter. It's always helpful and often times entertaining to look back one year to recall the environment of the time. In the "long-term" business of investing pension funds, it's amazing to witness how quickly the mood and sentiment of the market changes. And almost always, the mood is a direct result of very recent market events. On June 30, 2000, the market, and especially the tech stocks of NASDAQ, had peaked three months earlier and were struggling, but had stabilized at lower levels. The big debate was whether the technology-equipped U.S. worker could continue to become even more productive. If yes, the 18-year Bull Market in equities could continue, the trade deficit, low inflation, and high employment would take care of themselves, and federal, state and local government surpluses would continue forever. If the answer was no...

As of June 30, 2001, the discussion of sustainable high productivity gains were gone. Now we find ourselves looking at an economy where very little good news is obvious, and the stock market, which has historically been a leading indicator, has spent the last year pointing towards this economic scenario. All major markets are down substantially. Conversely, fixed income securities, which thrive during periods of uncertainty and gloom, have done quite well.

In this environment, we must remind ourselves as investors of the few truths that are available to long-term investors:

- ◆ Trees don't grow to the sky, and bull markets don't last forever. Periods of plenty have always been followed by lean times. After the largest and longest period of economic plenty in history, it is normal and expected for things to get "lean" for a while. This is a natural part of the economic reality.
- ◆ Despite our collective best efforts to the contrary, we cannot control the markets. In addition, those who try to "time it" - get in for the upside and get out before the decline - eventually lose big. Therefore, as long-term investors we must focus on equaling or exceeding the markets in reasonable doses during both good times and bad.
- ◆ While all stock markets in total have been negative, there have been very different return patterns for certain types of stocks. After years of relative underperformance, value stocks have fared much better during this period than growth. Active managers have found it easier to beat the market in this environment after years of contrary evidence, and bonds had a great year. Therefore, now more than ever, it is essential for a long-term fund like MOSERS to be diversified.

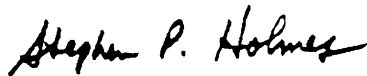
Given the following conditions, MOSERS had a great year relative to its primary objective, which is to outperform the broad markets in which it invests. In fact, in this context, fiscal year 2001 has been the best year for relative results ever. These results along with several strong previous years have created a very impressive performance record for the fund. For the past year, the fund was off -2.2% versus its policy benchmark of -10.6%, a value-added of +8.4% versus the benchmark. An overweight to small cap value stocks domestically and strong relative international equity results added significantly, as did the domestic active equity manager pool. In addition, the diversification pool, which was specifically created to dampen the risk of a 75% equity position, returned double-digit positive results.

The fund has now achieved its goal of adding value over its policy benchmark for the 1,3,5,7, and 10-year periods. In fact, for the 5 years that we have been accounting for component performance, every segment of the portfolio (domestic equity, international equity, and the diversification pool) is ahead of its benchmark for each period. For the longer periods, the fund has substantially outperformed its actuarial target as well. All returns are calculated in accordance with the AIMR performance presentation standards.

We believe the relative performance of the portfolio has been a real bright spot in an otherwise gloomy market environment. The incremental return over policy last year resulted in asset preservation in excess of \$400 million. This is far better than the long-term expectation. However, if the efforts of the board and its investment professionals can result in 1.0% value-added through both bull markets and bear markets, the fund and its participants will be very well served.

All of us at Summit appreciate the opportunity to be of continued service to the board and the system.

Sincerely,

A handwritten signature in black ink that reads "Stephen P. Holmes". The signature is written in a cursive, flowing style.

Stephen P. Holmes, CFA  
President

# INVESTMENT CONSULTANT EVALUATION REPORT



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Berkeley, California 94710  
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[www.institutional-research.com](http://www.institutional-research.com)

November 16, 2000

Members, Board of Trustees  
Missouri State Employees' Retirement System  
Jefferson City, MO 65102

At your request, we conducted a review of your investment consulting firm, Summit Strategies, Inc. The primary objective of the review was to position us to assess and render opinions regarding (i) the independence of the advice you are receiving, (ii) the firm's capacity to provide you with a range of high quality investment consulting services, and (iii) the reasonableness of the fees you are paying in connection with those services.

The following summarizes our key findings in connection with that review.

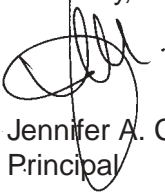
- ◆ Summit Strategies received our highest rating for independence. This status is primarily attributable to the facts that Summit Strategies does not serve as an investment manager for clients, does not sell services to investment managers, and is not affiliated with any securities broker. Only 7 of the 110 institutional consulting firms we monitor, including Summit Strategies, have been assigned our highest rating for independence.
- ◆ Based on our knowledge of the investment consultant industry, we rate Summit Strategies as being a "high quality" consulting firm.
- ◆ One of the challenges facing firms, which are truly independent is the acquisition and maintenance of resources dedicated to research. We rate Summit Strategies as having "average" resources in this regard.
- ◆ Critical to client service will be the individual who has primary responsibility for the client relationship. In your case, that responsibility has been assigned to Mr. Steve Holmes. Based on his experience, background, and our personal observations, we find Mr. Holmes to be a "highly qualified" consultant. Furthermore, we rate Summit Strategies to be "above average" as communicators in both verbal and written communications.
- ◆ The manager oversight function performed by an investment consultant is one of the keys to the quality of services provided. On the basis of our review, we find that Summit Strategies is providing exceptional manager oversight, including their oversight of the internally managed investment portfolios.

- ◆ The United States Securities and Exchange Commission (SEC) Form ADV indicates that Summit Strategies, Inc. is properly registered as an investment advisor and has no incidence of regulatory violations or disciplinary violations.
- ◆ We find that Summit Strategies is providing all the consulting services to the Missouri State Employees' Retirement System required by the existing contract.
- ◆ In general, we believe that clients get what they pay for with respect to fees paid to investment consulting firms. When evaluating fees, it is important to be mindful of the fees actually paid directly to the consultant and the amount the consultant generates from the investment management community. Independent firms, such as Summit Strategies, rely exclusively on their plan sponsor clients for their revenue. Our knowledge of the industry suggests that, in order to remain viable, independent firms must receive higher fees than their less independent counterparts. However, having said that, we find that the fees you pay Summit Strategies are low for the services being provided to a system of your size and sophistication.

Overall, we find and certify that the investment advice your plan receives from Summit Strategies is derived from a process that is prudent and reasonable.

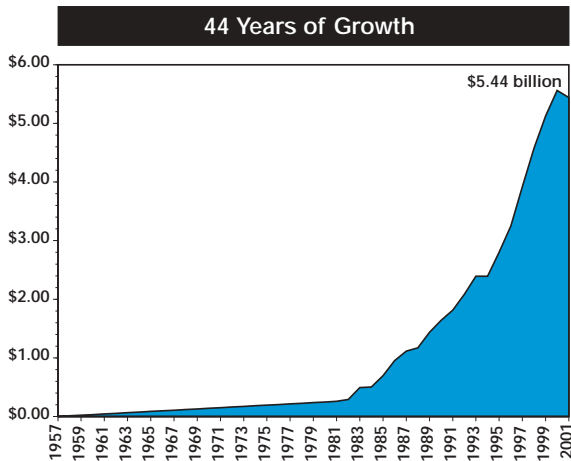
We appreciate the opportunity to conduct this review on your behalf. Also, we wish to fully acknowledge the cooperation of your staff and the staff at Summit Strategies, which greatly facilitated our work on this project.

Sincerely,



Jennifer A. Cooper, CFA, CEBS  
Principal

# TOTAL FUND REVIEW



## Fiduciary Responsibility

The MOSERS' Board of Trustees bears the ultimate fiduciary responsibility for the investment of system assets. Members of the board must adhere to state law and prudent standards of diligence with respect to their duties as investment fiduciaries. Accordingly, they are required to discharge their duties in the interest of plan participants. They must also act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims.<sup>1</sup>

## Overall Investment Objective

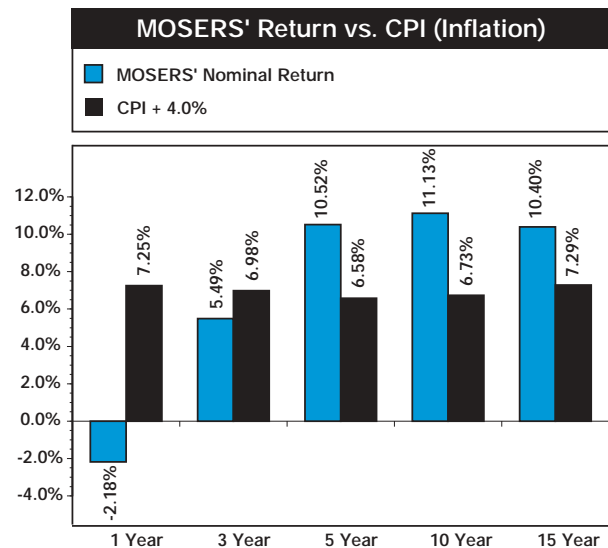
The board's overall objectives with respect to the investment of the MOSERS' assets are to:

- ◆ Develop a Real Return Objective<sup>2</sup> (RRO) that will:
  - Keep contribution rates reasonably level over long periods of time.
  - Maintain contribution rates consistent with historical levels ranging from 10.0% to 12.0% of covered payroll.
  - Provide the state of Missouri with the option to reduce the unfunded liability ahead of schedule, ultimately reducing the state's contributions for retirement benefits and producing savings, which could be allocated to wages and other benefits for state employees.

- ◆ Establish an asset allocation policy that is expected to meet the RRO with the least amount of short-term volatility.
- ◆ Minimize costs associated with the efficient implementation of the asset allocation through the use of internal and external resources.

## Real Return Investment Objective

The MOSERS' actuarial funding objective is to produce real returns that exceed the rate of inflation by 4.0% per year. The best known measure of inflation is the CPI. In the graph below, one can compare the MOSERS' investment returns to the CPI + 4.0% measure over time periods up to 15 years.<sup>3</sup>



CPI Source: United States Department of Labor, Bureau of Labor Statistics, All Urban Consumers (not seasonally adjusted).

<sup>1</sup> 105.688, RSMo - Investment Fiduciaries, Duties.

<sup>2</sup> The real return objective is the rate by which the total return exceeds the inflation rate as measured by the Consumer Price Index, U.S. City Average for All Urban Consumers (CPI-U).

<sup>3</sup> All investment returns are reported net of investment fees and are believed to be in full compliance with AIMR standards.

## Market Value

As of June 30, 2001, the MOSERS' investment portfolio had a market value of \$5.4 billion

## Summary of Policy Asset Allocation

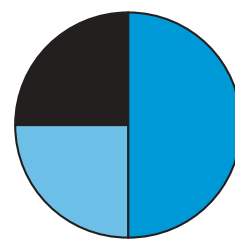
In fiscal year 2001, the MOSERS' board made a few small changes in the domestic equity portfolio. The active manager composite was increased from 10.0% to 15.0% and an allocation of 7.5% to enhanced S&P 500 was approved. The entire 12.5% needed to fund these changes came from the pure, passive S&P 500 Index Fund. The active manager composite was increased as evidence seems to suggest that active managers will have an easier time adding value to capitalization weighted benchmarks than in the recent past. The enhanced index allocation was funded as managers have shown the ability to add incremental return over the S&P 500 in a tightly risk controlled manner. It is expected that the enhanced index portfolios will add about 1.0% to the return of the S&P 500, while the active portfolios are expected to add 2.0%. As our expectations for future stock returns have decreased, the impact that small amounts of value added will have on overall portfolio returns becomes much more meaningful.

MOSERS' assets are divided into three broad asset classes: domestic and international equities and a diversification pool consisting of assets with low absolute volatility and/or whose price movements historically have had very little or no relationship to the price movements of equities. The assets that currently make up this pool are intermediate, high quality nominal bonds, real return bonds, commodities, and cash.

The resulting portfolio is intended to achieve the required real rate objective necessary to fund the pension liabilities within prudent levels of risk. (Real return is the amount by which actual return exceeds the rate of inflation.) The chart at the top of the next column depicts the MOSERS' policy asset allocation, adopted by the board in March 2000 and reconfirmed in March 2001.

## MOSERS' Policy Asset Allocation

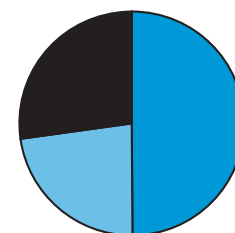
- Domestic Equity / 50.0%
- Diversification Pool / 25.0%
- International Equity / 25.0%



Due to the fact that different asset classes seldom move in lock step with each other, it is reasonable to expect that over time the actual allocation will differ from the policy mix. The chart below depicts the MOSERS' actual asset mix as of June 30, 2001.

## MOSERS' Actual Asset Allocation

- Domestic Equity / 49.9%
- Diversification Pool / 27.2%
- International Equity / 22.9%

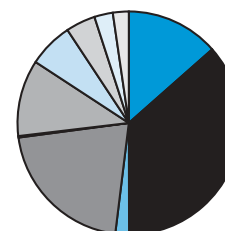


## Summary of Strategy Asset Allocation

Strategic biases within asset classes are employed in an effort to further diversify the overall portfolio and enhance long-term returns within each asset class. A strategic decision should be thought of as any decision that might cause MOSERS' actual portfolio to differ from the policy mix benchmarks. The following chart depicts MOSERS' actual strategy mix as of June 30, 2001.

## MOSERS' Actual Strategy Allocation

- U.S. Non-Large Equity / 13.5%
- U.S. Large Equity / 36.5%
- Emerging Int'l Equity / 1.9%
- Developed Int'l Equity / 21.0%
- Cash / 0.2%
- Gov't Real Bonds / 11.1%
- MBS/ABS / 6.5%
- Corporate Bonds / 4.3%
- Gov't Nominal Bonds / 2.7%
- Commodities / 2.3%





## Total Fund Returns and Benchmark Comparisons

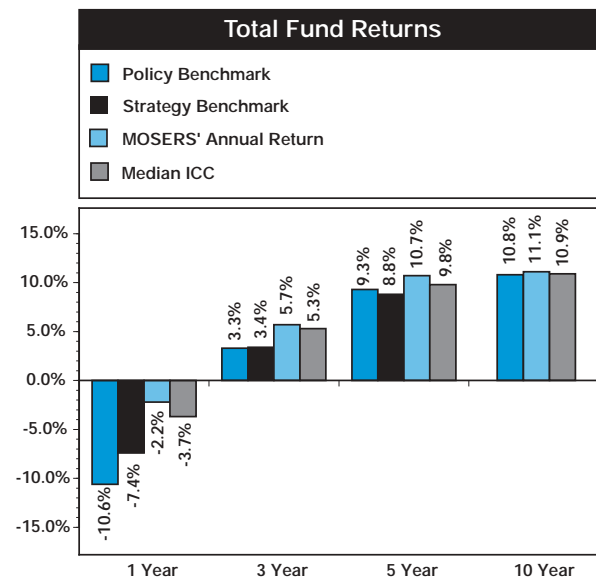
In addition to comparing the actual returns of the fund to the real return objective, the board also compares fund returns to the following three benchmarks: the MOSERS' Policy Benchmark, the MOSERS' Strategy Benchmark, and to a lesser extent, the median return generated by a peer group of public pension funds.

- ◆ The policy benchmark provides an indication of the returns that could be achieved (excluding transaction costs) by a portfolio invested passively in the broad market with percentage weights allocated to each asset class in MOSERS' policy asset allocation.
- ◆ The strategy benchmark reflects decisions made by the board to strategically deviate from the broad asset classes. The strategy benchmark is more narrowly defined and focuses on any specific "bets" made relative to the policy benchmark. Examples of strategic decisions in the MOSERS' portfolio would be the overweight to small capitalization and value stocks in the domestic equity portfolio.
- ◆ The Independent Consultants Cooperative (ICC) median public fund return reflects a universe of public pension plans with assets in excess of \$1 billion.<sup>4</sup>

By comparing the strategy benchmark with the policy benchmark, the board will, over time, be able to judge the success or failure of all decisions made to deviate from the policy allocation. Value is being created from the strategy decision if the strategy return exceeds the policy return.

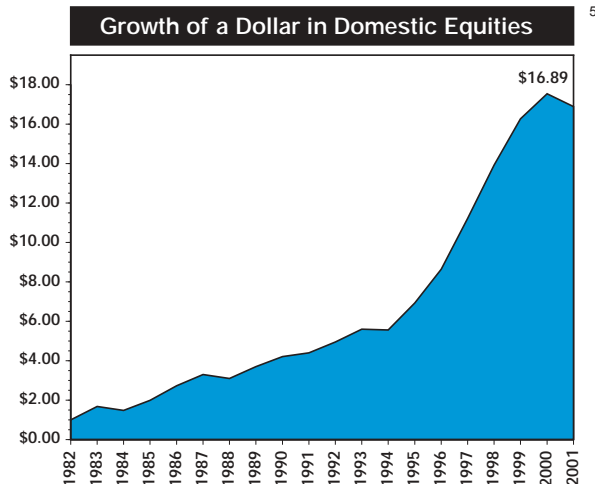
Similarly, by comparing the actual return to the strategy benchmark, the board will, over time, be able to judge the success or failure of the staff and consultant in implementing the board's strategy. Returns attributed to implementation may take on several forms including active manager selection, the effects of the rebalancing policy, and in general the staff effect. Value is being added from implementation if the actual return exceeds the strategy return.

The graph below shows total fund return comparisons for 1, 3, 5, and 10-year periods. Strategy benchmarks were not clearly defined prior to 1995, which was when MOSERS formally adopted strategic biases.



<sup>4</sup> The UCC is cooperative of 13 independent investment consultants from across the United States and one major custodial bank that collectively provide performance data in order to create a universe of peer returns. The observed median return is gross of investment management fees and reflects 33 participating funds.

## DOMESTIC EQUITY REVIEW



<sup>5</sup>The graph above depicts the performance of the domestic equity portfolio since 1982 by showing how a \$1.00 investment in the portfolio had grown to \$16.89 by June 30, 2001.

### Market Value

As of June 30, 2001, the MOSERS' Domestic Equity Portfolio had a market value of \$2.7 billion, representing 49.9% of MOSERS' total assets.

### Summary of Domestic Equity Investments

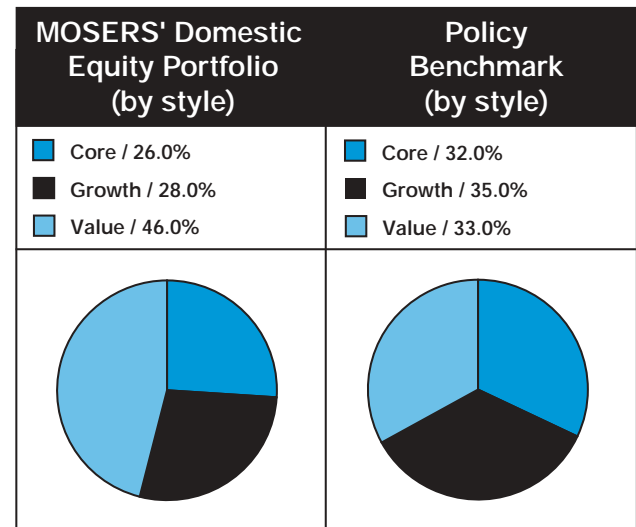
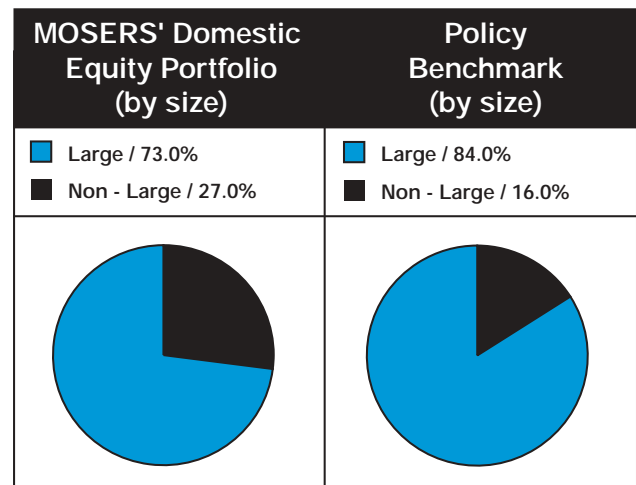
MOSERS maintains a significant allocation to publicly held shares of corporations domiciled in the United States. Domestic equities are held in broadly diversified portfolios, and they represent 50.0% of the MOSERS' policy asset allocation. Equity investments are expected to contribute significantly to the fund's achievement of a long-term real rate of return in excess of the 4.0% real return objective set by the board because of their historic return premiums over inflation.

### Domestic Equity Portfolio Structure

The Domestic Equity Portfolio consists of eight separate portfolios: one passive, two enhanced, and five active. The passive and enhanced portfolios provide broad market diversification and make up 70.0% of the total domestic equity. The passive and enhanced allocations provide low cost exposure to the equity market. One of the enhanced portfolios provides the total portfolio with its strategic overweight to small capitalization and value stocks relative to the broad U.S. equity market. The five active portfolios are managed in a concentrated manner containing

only a manager's best investment ideas. The composite of the active managers represents 30% of the domestic allocation.

The pie charts below compare the MOSERS' Domestic Equity Portfolio to the policy benchmark (the Russell 3000), first by market capitalization (size), then by style. As observed, there is a strategic bias toward non-large and value investment styles, which have been established relative to the policy benchmark, the Russell 3000.



## Domestic Equity Portfolio Statistics

The following table displays the statistical characteristics of the MOSERS' Domestic Equity Portfolio as of June 30, 2001, with comparisons shown to the portfolio's policy benchmark and to the same portfolio as of the end of the prior fiscal year.

Characteristics	June 30, 2001 MOSERS' U.S. Stocks	June 30, 2001 Russell 3000	June 30, 2000 MOSERS' U.S. Stocks
Number of securities	1,198	2,985	1,189
Average market capitalization	\$67.2 billion	\$94.9 billion	\$102.6 billion
Portfolio yield	1.50%	1.30%	1.30%
Portfolio P/E	19.7x	21.2x	18.5x
Portfolio beta vs. S&P 500	0.99	1.0	0.97
Price/book ratio	2.7x	3.3x	5.3x
Five year earnings growth	19.70%	19.40%	15.90%

The following table displays MOSERS' ten largest domestic equity holdings as of June 30, 2001, and the ten largest holdings one year prior.

Ten Largest Holdings June 30, 2001 <sup>6</sup>	Market Value	Percentage of Total U.S Stocks	Ten Largest Holdings June 30, 2000	Market Value	Percentage of Total U.S Stocks
Microsoft Corp.	\$57,671,460	2.1%	Intel Corp.	\$74,768,745	2.7%
General Electric	56,860,538	2.1	Cisco Systems	72,460,487	2.6
Pfizer	47,289,919	1.7	General Electric	68,744,710	2.5
Citigroup	38,646,331	1.4	Pfizer	60,166,656	2.2
Exxon Mobil	36,601,484	1.3	Microsoft Corp.	59,193,600	2.1
Intel Corp.	30,974,580	1.1	Exxon Mobil	40,539,049	1.5
American Intl. Group	29,513,262	1.1	EMC Corp.	37,273,911	1.4
Cisco Systems	29,112,502	1.1	Wal-Mart	37,131,245	1.3
IBM Corp.	27,596,860	1.0	Citigroup	32,439,624	1.2
AOL Time Warner	26,699,810	1.0	Merck	32,038,445	1.2

<sup>6</sup> A complete list of holdings is available upon request.

## Domestic Equity Portfolio Investment Advisors

As of June 30, 2001, MOSERS had contracts with six external investment advisors targeted to manage 51.5% of the domestic equity portfolio, the remaining 48.5% of the domestic equity portfolio is managed internally by MOSERS' staff.

The following table displays the external firms that were under contract with MOSERS during FY01 for management of domestic equity securities. In addition, it shows all internally managed domestic equity portfolios, the managers' investment styles, FY01 ending portfolio market values, and the managerial fees paid for the fiscal year.

During FY01, MOSERS hired one new enhanced investment advisor and established one new internal portfolio.

Investment Advisor	Investment Style	Portfolio Market Value as of June 30, 2001	FY2001 Management Fee
Internal Staff	Passive S&P 500 Index Active REIT Portfolio	\$ 1,113,967,072 157,825,506	\$ 164,705
Dimensional Fund Advisors	Passive Non-Large Value	624,416,252	565,524
OakBrook Investments	Enhanced S&P 500 Index	195,766,738	28,159
Oak Associates	Active All-Cap Growth	148,329,848	(1,303,530) <sup>7</sup>
Zak Capital, Incorporated	Active All-Cap Growth	174,298,652	1,785,870
Capital Guardian Trust Company	Active All-Cap Core	156,933,121	410,309
AmeriCap Advisers	Active All-Cap Core	141,068,132	439,038
Total		\$ 2,712,605,321 <sup>8</sup>	\$ 2,090,075

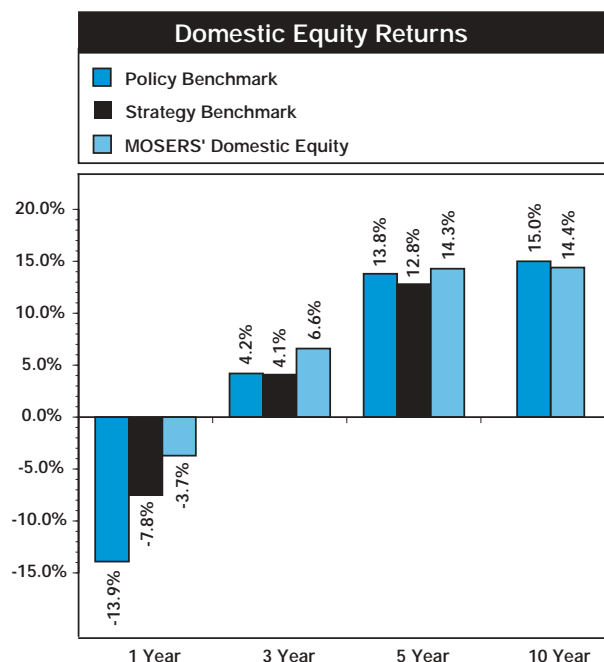
<sup>7</sup> Return of performance fees paid.

<sup>8</sup> This total excludes the impact of the rebalancing account on the total domestic equity portfolio.

## Domestic Equity Investment Returns

MOSERS' Policy Benchmark, the Russell 3000 Index, lost 13.9% for the year. The strategy to intentionally diversify holdings, particularly with smaller capitalization and relatively less expensive stocks, added value in FY01. This can be observed by comparing the -13.9% return generated by the policy benchmark to the -7.8% return generated by the strategy benchmark. The MOSERS' actual return of -3.7% was above the strategy benchmark and reflects the positive results of the manager mix relative to the strategic benchmark.

The graph to the right shows 1 and 3-year results as described above and also includes the actual return compared with the policy benchmark for 5 and 10-year periods. The strategy benchmark was not clearly defined before 1995, which was when MOSERS formally adopted strategic biases.



## Brokerage Commissions

In the fiscal year ended June 30, 2001, MOSERS generated the following commissions through the purchase and sale of domestic equity securities.

Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission	
			Dollar Amount	Value Per Share
U S Clearing	17,203,139	\$ 653,860,833	\$ 514,177	\$ 0.030
Instinet Corp.	6,967,189	177,721,355	182,157	0.026
Salomon Smith Barney	3,181,500	65,660,898	123,268	0.039
Cantor Fitzgerald	1,675,660	55,378,698	67,071	0.040
Jones & Associates	1,376,242	27,235,245	63,863	0.046
B-Trade Services	2,078,364	65,980,715	58,807	0.028
Guzman & Company	5,227,125	228,627,697	53,011	0.010
Broadcourt Capital	965,257	34,711,831	48,263	0.050
Goldman Sachs	785,200	19,732,979	42,049	0.054
Lehman Brothers	910,100	18,234,328	39,785	0.044
Morgan Stanley	683,100	20,720,766	38,196	0.056
First Boston Corp.	652,100	12,718,189	37,722	0.058
Merrill Lynch	643,600	18,987,755	35,964	0.056
Bridge Trading	600,800	18,186,196	32,951	0.055
Jefferies & Company	2,433,749	69,941,616	29,666	0.012
BancAmerica Roberts	526,218	4,728,293	29,153	0.055
Thomas Weisel	481,300	9,818,268	25,725	0.053
FC Financial Service	410,000	13,645,562	20,500	0.050
Others (Including 49 brokerage firms)	6,949,504	167,523,474	330,729	0.048
<b>Totals</b>	<b>53,750,147</b>	<b>1,683,414,698</b>	<b>\$ 1,773,058</b>	<b>\$ 0.033</b>
Zero commission trades excluded from above	17,096,862	\$ 507,842,227		

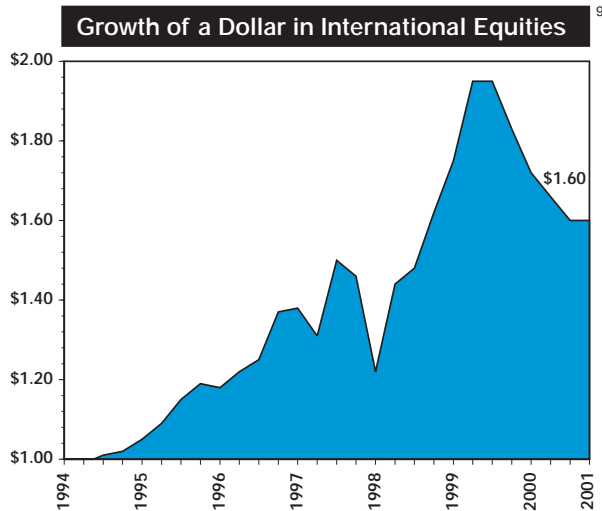
## Soft Dollar Service Expenditures

In the fiscal year ended June 30, 2001, MOSERS' domestic equity managers declared that \$369,079 of the commissions generated were utilized to acquire a variety of services and research information. These expenditures, referred to as soft dollars (expendable excess commissions), are permitted under current SEC investment advisor guidelines, and represent 20.8% of MOSERS' agency commissions.

Type of Service Acquired	Commissions Used	Percentage of Total
Trading and analytic systems	\$ 289,739	78.5%
Research services	40,850	11.1
Consulting/benchmarks	10,785	2.9
Portfolio management systems	9,429	2.5
Exchange fees, other services	8,423	2.2
Pricing services	4,601	1.4
Market research	2,733	0.7
Transaction cost analysis	2,519	0.7
Total	\$ 369,079	100.0%



## INTERNATIONAL EQUITY REVIEW



<sup>9</sup> The graph above depicts the performance of the international equity portfolio since 1994, by showing how a \$1.00 investment in the portfolio had grown to \$1.60 by June 30, 2001.

### Market Value

As of June 30, 2001, the MOSERS' International Portfolio had a market value of \$1.2 billion, representing 22.9% of the total fund.

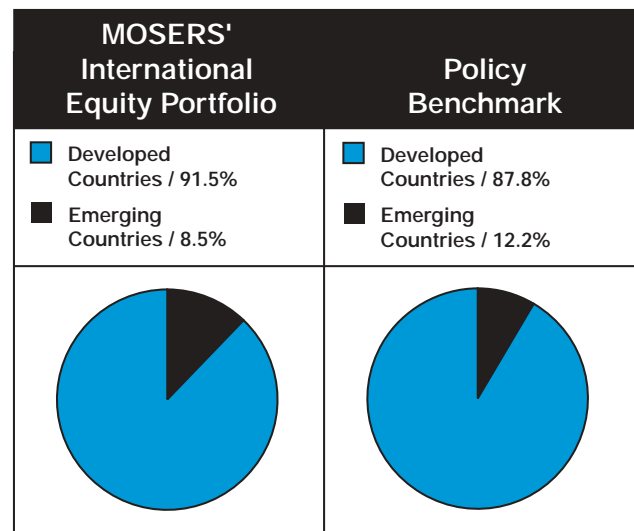
### Summary of International Equity Investments

International stocks, with a target allocation of 25.0%, are employed by the fund primarily because their historical return premiums versus inflation, if realized in the future, will help preserve and enhance the fund's ability to achieve a long-term real rate of return in excess of the 4.0% real return objective set by the board. International stocks are also attractive for the diversification benefits they provide to the portfolio. By incorporating these stocks into the asset mix, MOSERS expects to achieve overall equity returns, which are comparable to that of a domestic stock portfolio, while reducing overall portfolio volatility.

### International Equity Portfolio Structure

As of June 30, 2001, 34.3% of the international portfolio was managed in an enhanced index fashion with the balance of 65.7% being managed actively. Non-United States stock investments consist of a Morgan Stanley Capital International Europe, Australia, and Far East (MSCI EAFE) Enhanced Index Portfolio, a Morgan Stanley Capital International Emerging Markets Free (MSCI EMF) Enhanced Index Portfolio, and two active portfolios. In July 1995, the board hired an active, value-tilted developed market manager to complement the EAFE Index Portfolio, and in May of 2000 an active, growth-tilted developed markets manager was hired. The MOSERS' policy allows the active managers to hedge currency up to 25%, while the enhanced portfolios are unhedged.

The pie charts below show the breakdown of investments in developed markets and emerging markets in the international portfolio compared to the policy and strategy benchmark, Morgan Stanley Capital International EAFE + EMF Index.



## International Equity Portfolio Statistics

The following table displays the statistical characteristics of the MOSERS' International Stock Portfolio as of June 30, 2001, with comparisons shown to the portfolio's policy benchmark and to the same portfolio as of the end of the prior fiscal year.

Characteristics	June 30, 2001 MOSERS' International Equity	June 30, 2001 MSCI EAFE & EMF	June 30, 2000 MOSERS' International Equity
Number of securities	1,379	1,671	1,483
Average market capitalization	\$5.2 billion	\$5.1 billion	\$14.9 billion
Portfolio yield	2.5%	2.2%	2.5%
Portfolio P/E	16.2x	19.9x	25.1x
Price/book ratio	1.4x	2.2x	2.7x

The following table displays MOSERS' ten largest holdings in International Equity as of June 30, 2001, as well as the ten largest holdings at the end of the prior fiscal year.

Ten Largest Holdings June 30, 2001 <sup>10</sup>	Market Value	Percentage of International Stocks	Ten Largest Holdings June 30, 2000	Market Value	Percentage of International Stocks
Diageo (UK)	\$19,330,770	1.6%	Pernod-Ricard (France)	\$14,718,169	1.0%
Hong Kong Electric (Hong Kong)	19,036,698	1.5	Aventis (France)	13,820,062	1.0
Ahold (Netherlands)	18,041,542	1.4	ING Groep (Netherlands)	13,732,336	1.0
Talisman Energy (Canada)	16,827,260	1.4	Talisman Energy (Canada)	13,731,485	1.0
Takefuji (Japan)	14,739,866	1.2	Royal Bank of Scotland (UK)	13,527,824	0.9
Elan Corp. (Ireland)	14,446,284	1.2	Samsung Electric (Korea)	12,853,800	0.9
Unilever (UK)	14,355,667	1.2	Diageo (UK)	12,350,047	0.9
Boots Co. (UK)	14,229,097	1.1	Parmalt Finanz (Italy)	12,266,848	0.9
Pernod-Richard (France)	13,264,304	1.1	Swiss Reinsurance (Switzerland)	12,064,141	0.8
Parmalt Finanz (Italy)	12,351,045	1.0	RAS (Italy)	11,804,555	0.8

<sup>10</sup> A complete list of holdings is available upon request.

## International Equity Portfolio Investment Advisors

As of June 30, 2001, MOSERS had contracts with three external investment advisors for the management of four international stock portfolios. Two firms are managing active portfolios in the developed markets that are expected to add incremental return over an established benchmark through stock selection, country selection, and small amounts of currency hedging. The third manager has two enhanced index portfolios that are expected to add a small amount of return while matching country weights with the index. One enhanced portfolio is for the developed markets and the other is for the emerging markets.

The following table displays the external firms that were under contract with MOSERS during FY2001 for management of international stocks. Also displayed are the managers' investment styles, FY2001 ending portfolio market values, and the managerial fees paid for the fiscal year.

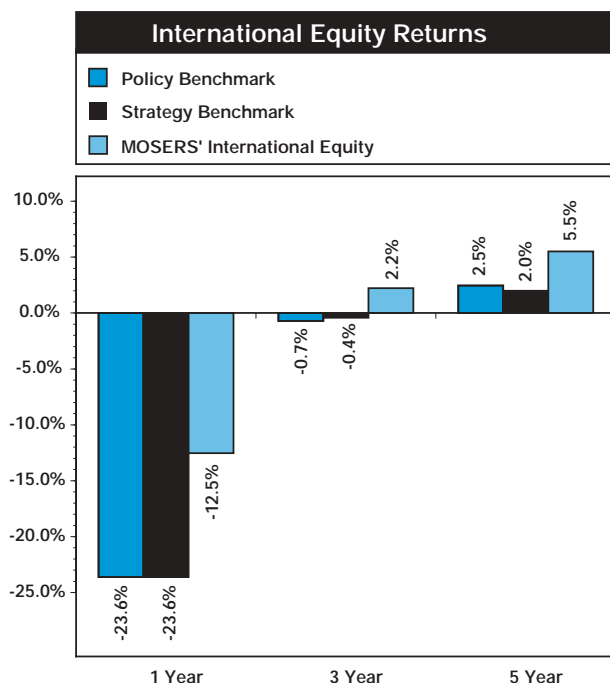
Investment Advisor	Investment Style	Portfolio Market Value as of June 30, 2001	FY2001 Management Fee
Silchester International Investors	Active value developed markets	\$ 430,767,290	\$ 1,778,651
Mastholm Asset Management	Active growth developed markets	387,394,582	1,496,380
Merrill Lynch Quantitative Advisors	Enhanced developed markets	321,460,716	688,689
Merrill Lynch Quantitative Advisors	Enhanced emerging markets	105,968,337	193,955
Total		\$ 1,245,590,925 <sup>11</sup>	\$ 4,157,675

<sup>11</sup> This total excludes the impact of the rebalancing account on the total international portfolio.

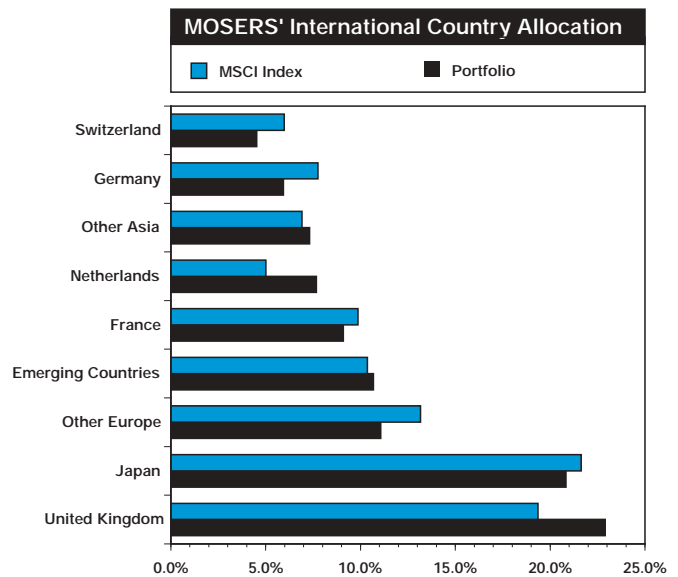
## International Equity Investment Returns

The MOSERS' Policy Benchmark, the MSCI EAFE + EMF Index lost 23.6% for the year. As of June 30, 2001, there were no strategic bets in place in the international portfolio. Therefore, the strategy benchmark and the policy benchmark are the same. MOSERS' actual return of -12.5% added significant value relative to both benchmarks. This excess return was caused by the ability of the active, developed country managers to generate returns well in excess of the benchmark. The value manager's 10.4% return exceeded the benchmark by over 30% for the year.

The following graph shows 1- and 3-year results as described above and also includes the actual return compared with the policy and strategy benchmarks for five years. MOSERS' first allocation to international stocks did not occur until July 1994; therefore, 10-year returns are not applicable.



The chart below displays the MOSERS' country exposure relative to the policy benchmark on June 30, 2001.



## Brokerage Commissions

In FY2001, MOSERS generated the following commissions through the purchase and sale of international equity securities.

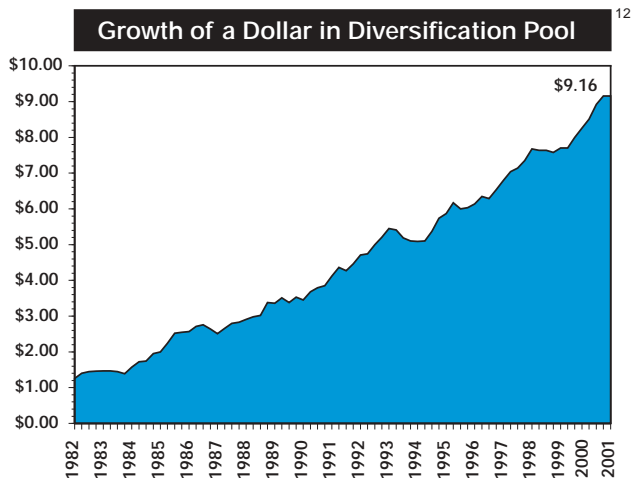
Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission	
			Dollar Amount	Basis Points
Goldman Sachs	12,518,215	\$ 126,950,224	\$ 269,753	21.25
Merrill Lynch	14,117,878	124,249,976	305,279	24.57
CS First Boston	11,436,800	81,527,795	195,652	24.00
Paribas	3,506,100	70,164,674	192,242	27.40
Morgan Stanley	5,721,133	70,115,295	142,487	20.32
Deutsche Bank	6,272,558	64,855,278	159,534	24.60
Nomura Securities	3,307,648	61,462,850	122,902	20.00
Credit Lyonnais	11,094,300	48,570,414	154,112	31.73
Warburg Dillion Read	2,282,312	44,411,630	88,875	20.01
Societe Generale	1,276,145	43,376,970	108,663	25.05
ABN Amro	5,734,097	39,557,041	121,519	30.72
Nesbitt Burns	1,545,000	31,140,543	56,780	18.23
SG Securities	1,799,400	25,358,088	59,055	23.29
Kleinwort Benson	2,708,000	20,956,664	51,147	24.41
Dresdner Kleinwort	1,997,800	17,434,619	38,934	22.33
USB Securities	1,531,461	16,266,303	37,480	23.04
JB Were & Sons	1,397,000	12,325,835	61,391	49.81
Donaldson Lufkin Jennrette	1,796,600	12,311,883	28,361	23.04
BNP Securities	675,000	10,353,338	30,213	29.18
Chevereux De Virieu	140,400	10,138,357	27,403	27.03
Others (Including 35 brokerage firms)	11,202,236	109,959,409	268,439	24.41
Totals	102,060,083	\$ 1,041,487,185	\$ 2,520,221	24.20
Zero commission trades excluded from above				
	12,584,392	\$ 36,505,797		

## Soft Dollar Service Expenditures

For the fiscal year ended June 30, 2001, MOSERS' current international equity managers declared that \$11,994 of the commissions generated were utilized to acquire a broad variety of services and research information. Soft dollars represented less than 2% of the total agency commissions.

Type of Service Acquired	Commissions Used	Percentage of Total
Consulting and benchmarks	\$ 592	4.9%
Trading and analytic systems	11,402	95.1
Total	\$ 11,994	100.0%

## DIVERSIFICATION POOL REVIEW



<sup>12</sup> The graph above depicts the performance of the diversification pool since 1982 (all fixed income prior to the 4th quarter of 1998, followed by a blend of fixed income, TIPS, and commodities to the present) by showing how a \$1.00 investment in the portfolio had grown to \$9.16 by June 30, 2001.

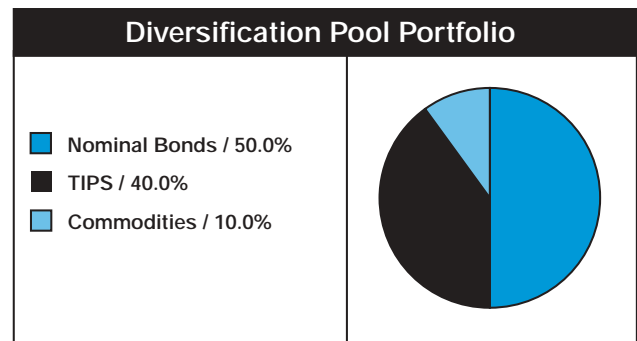
### Market Value

As of June 30, 2001, the MOSERS' Diversification Pool had a market value of \$1.5 billion, representing 27.2% of the total fund.

### Summary of the Diversification Pool Investments

The Diversification Pool, with a target allocation of 25.0%, serves to offset or dampen the equity risk component within the fund. The pool is primarily comprised of nominal bonds or traditional fixed income instruments, real return bonds or TIPS,<sup>13</sup> and a commodities exposure. Targets for these classes are 50.0%, 40.0% and 10.0% respectively within the pool. All three of these security classes have exhibited consistently low and, at times, even negative correlations to equities over long periods of time, a factor which provides excellent diversification properties to the fund's 75.0% allocation to equities. Residual cash amounts are not significant and have no target allocation.

The nominal bond portion of the pool has been structured with an intermediate maturity profile and a significant bias towards high credit quality and good liquidity. The nominal bonds provide sufficient and predictable cash flow, and are structured in such a way as to perform well in periods of a stable, low inflationary environment and in a disinflationary or deflationary trend. TIPS will perform well in periods of rising inflation when nominal bonds will not be performing as well. Finally, commodities exposure protects the fund in those situations when inflation is unanticipated and is rising rapidly. Commodities exposure is somewhat unique in that it tends to be a very good diversifier to both stocks and nominal bonds. That is, in periods of inflation surprises, both stocks and nominal bonds are likely to do poorly and commodities will act as a buffer to their fall. Conversely, commodities are likely to lag in periods of disinflation when stocks and nominal bonds tend to perform well. In short, the primary function of the Diversification Pool is to diversify away a portion of the equity risk in the overall fund, yet there are also diversification elements within the pool itself that should provide steady performance in most investment scenarios.



<sup>13</sup> "TIPS" is an acronym for Treasury Inflation Protected Securities. These securities are a "full faith and credit" guarantee of the U. S. Government. They pay lower rates of interest, but the bondholder is protected against inflation for the life of the bond by means of a mechanism that adjusts the maturing principal amount of the bond higher, according to changes in the CPI.



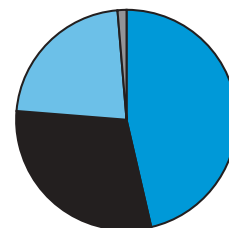
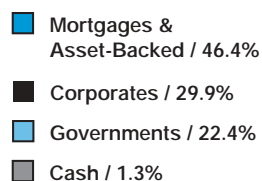
## Diversification Pool Portfolio Structure

As of June 30, 2001, 56.5% of the diversification portfolio by market value was passively managed. Another 32.3% was managed in an enhanced index style, which allows for some limited trading flexibility with the expectation of capturing additional return relative to the benchmark. A 10.0% portion was managed in an active duration management style, and other assets comprised 1.2%.

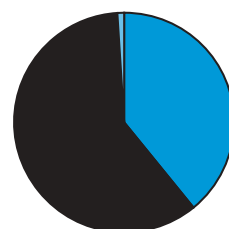
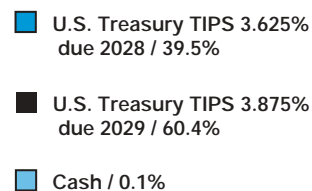
A significant expansion of the Diversification Pool was implemented just prior to the beginning of the fiscal year. Because of the diversification properties of both fixed income and commodities, a plan was put into place to essentially merge the two asset classes into one pool. The major changes to the pool included an increase in the TIPS allocation from 2.5% to 10.0% and a substantial reduction in the maturity profile of the nominal bond component, while simultaneously increasing the portfolio's credit quality. Nominal bonds were also significantly reduced as a percentage of the overall fund. Given the acceptance of more equity risk in the fund, it was deemed appropriate and prudent to reduce risk in the nominal bond component of the Diversification Pool. With each separately managed portfolio being confined to one specific fixed income sector, MOSERS is able to capitalize on each manager's area of expertise. Duration of the nominal bond portfolio can fluctuate from approximately 2.8 years to approximately 4.2 years, where it stands as of June 30, 2001, depending upon the portfolio profile of the active duration manager. The commodity allocation continues to be managed with the same target weighting and management style as in the prior fiscal year.

The following pie charts show the broad composition of the MOSERS' Diversification Pool as of June 30, 2001, as a percentage of the Total Fund, and, within those broad categories of assets, the pie charts show the specific sector exposures within nominal bonds, TIPS, and commodities.

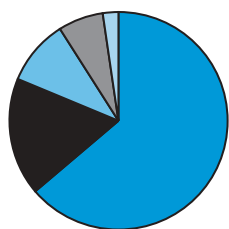
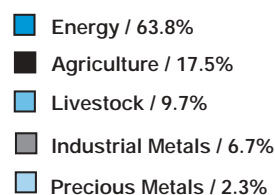
### Nominal Bonds Portfolio



### TIPS Portfolio



### Commodities Portfolio



## Diversification Pool Portfolio Statistics

The following table displays the statistical characteristics of the MOSERS' Diversification Pool Portfolio as of June 30, 2001, with comparisons shown to the portfolio's policy benchmark and to the portfolio as of the end of the prior fiscal year.

Characteristics	June 30, 2001 MOSERS' Diversification Pool	June 30, 2001 Policy Benchmark <sup>14</sup>	June 30, 2000 MOSERS' Diversification Pool
Total number of securities	164	1,582	201
Current yield	5.0%	5.1%	5.5%
Yield to maturity	6.0%	6.2%	5.8%
Average life/maturity	15.1 years	14.9 years	12.8 years
Adjusted duration	5.6	5.7	5.0
Quality	AAA+	AAA+	AAA+

The following table displays MOSERS' ten largest holdings in the Diversification Pool as of June 30, 2001, as well as the ten largest holdings at the end of the prior fiscal year.

Ten Largest Holdings June 30, 2001 <sup>15</sup>	Market Value	Percentage of Diversification Pool	Ten Largest Holdings June 30, 2000	Market Value	Percentage of Diversification Pool
U.S. TIPS 3.875% 4/15/29	\$ 362,977,886	24.6%	U.S. TIPS 3.625% 4/15/28	\$ 213,688,024	15.8%
U.S. TIPS 3.625% 4/15/28	236,945,345	16.0	U.S. TIPS 3.875% 4/15/29	171,811,487	12.7
USTN 5.875% 11/30/01	72,714,593	4.9	U.S. TIPS 4.25% 1/15/10	163,085,241	12.0
USTB 5.375% 2/15/31	26,291,064	1.8	USTN 5.875% 11/30/01	71,127,150	5.2
USTB 6.375% 8/15/27	19,563,983	1.3	GNMA 6.50% 2023-2029	33,313,566	2.5
USTB 6.00% 2/15/26	15,690,375	1.1	USTB 6.125% 8/15/29	29,046,361	2.1
IBRD 4.75% 4/30/04	14,884,375	1.0	USTB 6.375% 8/15/27	18,929,000	1.4
MERRILL LYNCH 6.15% 1/26/06	12,024,533	.8	FNMA 6% 2013-2014	18,803,011	1.4
ASSOCIATES CORP. 5.80% 4/20/04	11,093,075	.8	GNMA 7% 2023-2029	18,436,001	1.4
USTB 6.125% 8/15/29	10,520,679	.7	FHLMC 7% 7/15/05	16,976,200	1.3

Key to holdings:

GNMA = Government National Mortgage Association

FHLMC = Federal Home Loan Mortgage Corporation

FNMA = Federal National Mortgage Association

IBRD = International Bank for Reconstruction and Development

USTB = U.S. Treasury Bond

USTN = U.S. Treasury Note

US TIPS = U.S. Treasury Inflation Protected Securities

<sup>14</sup> The policy benchmark, as of the end of the fiscal year, is a composite of 40.0% of the TIPS portfolio return, 16.0% Lehman Mortgage Index, 8.0% Lehman Asset-backed Index, 16.0% Lehman Credit Index (AAA/AA segment only), 10.0% Lehman Intermediate Treasury, 10.0% Goldman Sachs Commodity Index less 50 basis points. In order to derive benchmark characteristics, the Commodity Index is excluded because of its smaller contribution to the benchmark and its lack of comparability in terms of the portfolio characteristics being reported.

<sup>15</sup> A complete list of holdings is available upon request.

## Diversification Pool Portfolio Investment Advisors

As of June 30, 2001, MOSERS had contracts with three external investment advisors designated to manage 44.0% of the Diversification Pool. Internal management of 56.0% of the diversification pool, which includes cash reserves and miscellaneous, enables passive participation in a very significant segment of the diversification pool assets at a very low cost.

The following table displays the external firms that were under contract with MOSERS during FY2001 for management of diversification assets. In addition, it shows all internally managed Diversification Pool assets, the managers' investment styles, ending portfolio market values for FY2001, and the managerial fees paid for the fiscal year.

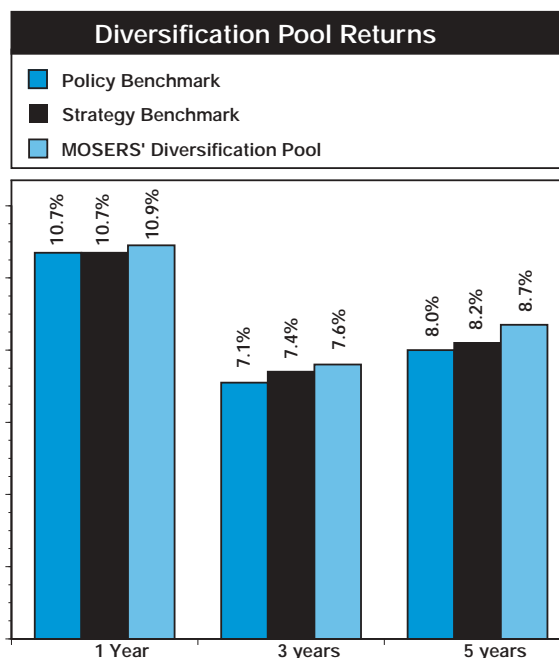
Investment Advisor	Investment Style	Portfolio Market Value as of June 30, 2001	FY2001 Management Fee
BlackRock Financial Management Inc.	Enhanced index Mortgage and asset-backed securities	\$ 352,903,095	\$ 336,000
Hoisington Investment Management Co.	Active duration Treasury securities	148,815,025	200,000
NISA Investment Advisors, L.L.C.	Enhanced index Commodities index overlay Cash investment portfolio	125,420,917	210,000
Internal staff (All passive management)	Government TIPS Lehman High Quality Corporate Index Cash reserves Illiquid assets	604,739,380 231,825,161 9,706,709 7,547,655	180,705
Total		\$ 1,480,957,942 <sup>16</sup>	\$ 926,705

<sup>16</sup> This total excludes the impact of the rebalancing account on the Diversification Pool Portfolio.

## Diversification Pool Investment Returns

The MOSERS' Diversification Pool returned 10.9% for the year, exceeding both the Policy Benchmark return and the Strategy Benchmark return<sup>17</sup>, both of which were 10.7% for the fiscal year. TIPS and corporates were the noteworthy performers for the fiscal year. Performance in those security classes was offset, to some degree, by sub-par performance for the active duration manager and the commodities portfolio. The 3-year and 5-year returns remain above benchmark returns, with the 5-year Diversification Pool return exceeding the policy and the strategy benchmarks by 70 and 50 basis points respectively. This is, in large part, due to the active duration manager's selection of a long portfolio in a period in which interest rates have declined very substantially.

The graph to the right shows these results.



<sup>17</sup> Due to the unique objective of the Diversification Pool (low correlations to equities), the Strategy Benchmark is the same as the Policy Benchmark; that is, there is no one particular market index that can be the standard of comparison for the Diversification Pool. The most appropriate comparison for the Diversification Pool is a blend of several different market indices, weighted according to their weights in the portfolio. Policy and Strategy returns are different because these benchmarks were not identical in the past, as they are now at the end of the fiscal year.

## Brokerage Activity

In FY2001, MOSERS generated the following fixed income brokerage activity, ranked by percentage of total, through the purchase and sale of diversification pool assets:

Broker/Dealer Firms	Par Amount Traded	Market Value Traded	Percent of Total Trading Volume by Market Value
Lehman Brothers	\$ 358,531,144	\$ 368,921,259	13.3%
Morgan Stanley	355,834,840	354,714,829	12.8
Barclays Capital	313,355,899	326,570,380	11.7
Credit Suisse First Boston	180,134,453	186,908,335	6.7
Merrill Lynch	139,992,036	149,016,629	5.4
Goldman Sachs	140,702,885	144,088,386	5.2
Salomon Smith Barney	130,472,335	131,596,770	4.7
Deutsche Bank	116,923,480	122,652,112	4.4
ABN Amro	112,690,000	112,461,627	4.0
Bear Stearns	107,243,982	107,523,878	3.9
J. P Morgan	101,444,805	103,570,185	3.7
Chase Securities	81,750,000	81,985,499	3.0
HSBC Securities	80,290,000	81,562,634	2.9
Greenwich Capital Markets	51,551,247	49,953,287	1.8
Donaldson Lufkin Jenrette	39,634,360	42,762,935	1.5
R.W. Baird	39,000,000	39,567,520	1.4
Commerzbank	34,950,000	34,977,545	1.3
Gruntal & Co.	34,000,000	34,565,270	1.2
Fidelity Capital Markets	31,000,000	31,491,225	1.1
BancOne Capital Markets	29,600,000	29,599,238	1.1
BNP Paribas	27,000,000	27,424,880	1.0
First Union Securities	26,700,000	26,968,748	1.0
Others (includes 15, each contributing less than 1.0%)	191,235,105	192,236,717	6.9
Totals	\$ 2,724,036,571	\$ 2,781,119,888	100.0%

# SCHEDULE OF INVESTMENT MANAGER PORTFOLIOS

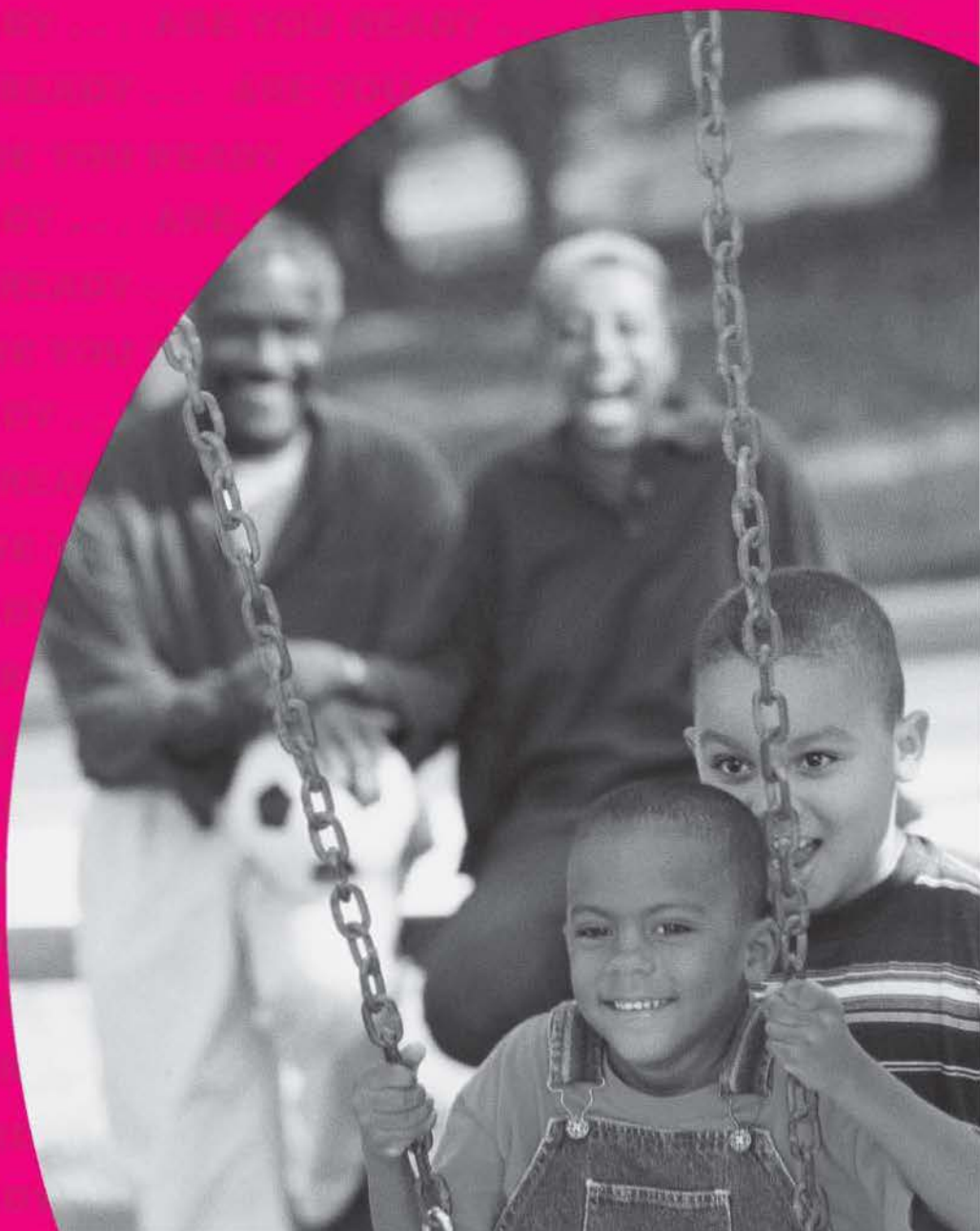
## (by Asset Class)

As of June 30, 2001

	Market Value June 30, 2001	Percent of Total Fund
<b><i>U.S. stock manager portfolios</i></b>		
Passive/enhanced U.S. stock manager portfolios	\$ 1,934,288,963	35.55%
Active U.S. stock manager portfolios	778,511,164	14.31
Total U.S. stock manager portfolios	2,712,800,127	49.86
<b><i>Non-U.S. stock manager portfolios</i></b>		
Passive/enhanced non-U.S. stock manager portfolios	427,920,960	7.87
Active non-U.S. stock manager portfolios	819,103,455	15.05
Total non-U.S. stock manager portfolios	1,247,024,415	22.92
<b><u>Diversification pool</u></b>		
<b><i>Nominal bond manager portfolios</i></b>		
Government bond portfolios	148,824,245	2.74
Corporate bond portfolio	231,839,525	4.26
Mortgage & asset-backed securities portfolio	352,924,960	6.49
Total nominal bond manager portfolios	733,588,730	13.48
Real bond portfolio	604,776,849	11.12
Commodities portfolio	125,428,688	2.30
Total diversification pool manager portfolios	1,463,794,267	26.90
<b><i>Other portfolios</i></b>		
"Other" investments portfolio	7,456,967	0.14
Cash reserve portfolio	9,706,709	0.18
Total other portfolios	17,163,676	0.32
Total all portfolios	\$ 5,440,782,485	100.00%

<b>Reconciliation to Statements of Plan Net Assets</b>	
Total portfolio value	\$5,440,782,485
STIF	(86,865,798)
Uninvested cash	(218,902)
Accrued income	(8,441,824)
Accounts receivable securities sold	(68,240,996)
Manager fees payable	(1,991,230)
Accounts payable securities purchased	95,205,011
Investments per <i>Statement of Plan Net Assets</i>	\$5,370,228,746





# ...TO ENJOY FAMILY?



# ACTUARY'S CERTIFICATION LETTER



**GABRIEL, ROEDER, SMITH & COMPANY**

**Consultants & Actuaries**

1000 Town Center • Suite 1000 • Southfield, Michigan 48075 • 248-799-9000 • 800-521-0498 • fax 248-799-9020

September 7, 2001

The Board of Trustees  
Missouri State Employees' Retirement System  
907 Wildwood Drive  
Jefferson City, Missouri 65109

Dear Board Members:

The basic financial objective of the Missouri State Employees' Retirement System (MOSERS) is to establish and receive contributions which

- (1) when expressed in terms of percents of active member payroll will remain approximately level from generation to generation of Missouri citizens, and which
- (2) when combined with present assets and future investment return will be sufficient to meet the present and future financial obligations of MOSERS.

In order to measure progress toward this fundamental objective, MOSERS has annual actuarial valuations performed. The valuations (i) measure present financial position, and (ii) establish contribution rates that provide for the current cost and level percent of payroll amortization of unfunded actuarial accrued liabilities over a reasonable period. The latest completed actuarial valuations were based upon data and assumptions as of June 30, 2001. These valuations indicate that the contribution rates for the fiscal year ending June 30, 2003, established by the board of trustees for the benefits scheduled to be in effect on July 1, 2001, meet the basic financial objective. These contribution rates are 8.81% of payroll for 58,431 general state employees, 20.02% of payroll for 57 administrative law judges, and 52.12% of payroll for 381 judges other than administrative law judges.

The actuarial valuations are based upon financial and participant data, which is prepared by retirement system staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death, and disability among MOSERS' members and their beneficiaries. The data is reviewed by us for internal and year-to-year consistency as well as general reasonableness prior to its use in the actuarial valuations. It is also summarized and tabulated for the purpose of analyzing trends. The economic assumptions were adopted by the board of trustees in September 2001. Assets are valued according to a method that fully recognizes expected investment return and averages unanticipated market return over a five-year period. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No. 25.

The current benefit structure is outlined in the actuarial section. The changes made since the previous valuation are high-lighted on page 112. We provided the information used in the supporting schedules in the actuarial section and the Schedules of Funding Progress in the financial section, as well as the employer contribution rates shown in the Schedule of Employer Contributions in the financial section.

Based upon the valuation results, it is our opinion that the Missouri State Employees' Retirement System continues in sound condition in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read 'Norman L. Jones'.

Norman L. Jones, F.S.A.  
Senior Consultant & Actuary

A handwritten signature in cursive script, appearing to read 'Brad L. Armstrong'.

Brad L. Armstrong, A.S.A.  
Senior Consultant & Actuary

# SUMMARY OF ACTUARIAL ASSUMPTIONS

June 30, 2001

## Economic Assumptions

The investment return rate used in the valuations was 8.5% per year, compounded annually (net after investment expenses). This assumption is used to account for the fact that equal amounts of money payable at different points in time in the future do not have the same value presently.

Pay increase assumptions for individual active members are shown for sample ages on page 80. Part of the assumption for each age is for merit and/or seniority increase, and the other 4.0% recognizes wage inflation. This assumption is used to project a member's current salary to the salaries upon which benefits will be based.

The active member payroll is assumed to increase 4.0% annually, which is the portion of the individual pay increase assumptions attributable to inflation.

The annual COLAs is assumed to be 4.0% per year on a compounded basis when a minimum COLA of 4.0% is in effect and 2.8% per year on a compounded basis when no minimum COLA is in effect.

The number of active members in the MSEP is assumed to decline gradually by 4% to 5% over the next 25 years due to certain new hires on or after July 1, 2002, participating in the Regional Colleges Retirement Plan. The number of active members in the ALJLAP and Judicial Plan is assumed to continue at the present number. Active and retired member data is reported as of May 31. It is assumed for valuation purposes that there is no turnover among members and no new entrants during the month of June.

## Noneconomic Assumptions

The mortality table, for postretirement mortality, used in evaluating allowances to be paid was the 1971 Group Annuity Mortality Table, projected to the year 2000 with a 1-year age setback for men and a 7-year age setback for women. Related values are shown on page 82. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

The probabilities of age and service retirement are shown on pages 83-85. In the MSEP, no adjustments have been made for any potential emerging effect caused by the BackDROP. It is assumed that each member will be granted one half year of service credit for unused leave upon retirement and military service purchases.

The probabilities of withdrawal from service, death-in-service, and disability are shown for sample ages on pages 80-81. For disability retirement, impaired longevity was recognized by use of special mortality tables.

The entry age normal actuarial cost method of valuation was used in determining liabilities and normal cost. The normal cost was based on the benefit provisions affecting new employees (MSEP 2000). Differences in the past between assumed experience and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percent of payroll contributions.

Employer contribution dollars were assumed to be paid in equal installments throughout the employer fiscal year.

The asset valuation method fully recognizes expected investment return and averages unanticipated market return over a five-year period.

The data about persons now covered and about present assets was furnished by the system's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.

It is assumed that, among active members, 80% are married at retirement, 70% of those dying in active service are married, and men are three years older than their spouses.

The liabilities for active members in the MSEP were based on the MSEP benefits, except for male general employees with an age at hire of 35 years or less, all female general employees, all contract employees, all elected state officials and all members of the general assembly who were assumed to elect the MSEP 2000.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA).

# SUMMARY OF ACTUARIAL ASSUMPTIONS

## Separations From Active Employment Before Service Retirement and Individual Pay Increase Assumptions

June 30, 2001

### *Missouri State Employees' Plan*

Sample Ages	Years of Service	Percent of Active Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Employee		
		Withdrawal		Death*		Disability		Merit and Seniority**	Base (Economy)	Increase Next Year
		Men	Women	Men	Women	Men	Women			
	0	25.2%	24.7%							
	1	17.1	17.7							
	2	14.4	14.4							
	3	12.8	12.8							
	4	12.0	12.0							
20	+5	12.0	11.0	.04%	.03%	.00%	.00%	2.7%	4.0%	6.7%
25		12.0	11.0	.05	.04	.05	.03	2.6	4.0	6.6
30		8.8	8.9	.06	.04	.12	.04	2.2	4.0	6.2
35		6.2	6.0	.08	.06	.16	.13	1.9	4.0	5.9
40		4.6	4.9	.12	.08	.21	.21	1.4	4.0	5.4
45		3.5	4.3	.19	.11	.29	.25	1.2	4.0	5.2
50		2.8	3.6	.35	.17	.41	.41	0.7	4.0	4.7
55		2.4	2.9	.59	.31	.77	.85	0.7	4.0	4.7
60		2.4	2.9	.90	.54	1.40	1.50	0.0	4.0	4.0
65		2.4	2.9	1.44	.83	0.00	0.00	0.0	4.0	4.0

\* Two percent of the deaths in active service are assumed to be duty-related.

\*\* Does not apply to members of the general assembly.

# SUMMARY OF ACTUARIAL ASSUMPTIONS

## Separations From Active Employment Before Service Retirement and Individual Pay Increase Assumptions

June 30, 2001

*Administrative Law Judges and Legal Advisors' Plan and Judicial Plan*

Sample Ages	Percent of Active Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Employee		
	Withdrawal		Death		Disability		Merit and Seniority	Base (Economy)	Increase Next Year
	Men	Women	Men	Women	Men	Women			
25	7.5%	6.0%	.05%	.04%	.02%	.02%	1.6%	4.0%	5.6%
30	6.6	4.9	.06	.05	.03	.03	1.2	4.0	5.2
35	4.7	3.5	.08	.06	.04	.07	0.9	4.0	4.9
40	3.3	2.8	.11	.08	.05	.11	0.4	4.0	4.4
45	2.6	2.5	.19	.10	.09	.17	0.3	4.0	4.3
50	2.6	2.2	.35	.17	.12	.35	0.2	4.0	4.2
55	2.6	1.6	.59	.31	.23	.49	0.2	4.0	4.2
60	2.0	0.8	.90	.54	.33	.53	0.0	4.0	4.0
65	1.5	0.6	1.44	.83			0.0	4.0	4.0

# SUMMARY OF ACTUARIAL ASSUMPTIONS

## Single Life Retirement Values

June 30, 2001

Sample Attained Ages	Present Value of \$1/Month the First Year Increasing 4.0%/2.8% Percent Yearly				Future Life Expectancy (Years)			
	Service		Disability		Service		Disability	
	Men	Women	Men	Women	Men	Women	Men	Women
40	\$ 202.23	\$ 212.07	\$ 135.46	\$ 156.68	38.46	44.22	19.70	26.02
45	191.81	204.06	126.32	150.16	33.73	39.41	17.50	23.70
50	179.47	194.06	116.10	142.75	29.17	34.67	15.35	21.39
55	165.25	182.08	106.06	135.11	24.82	30.06	13.43	19.18
60	148.90	168.25	97.62	126.74	20.70	25.67	11.87	17.01
65	130.43	152.36	90.66	117.09	16.82	21.50	10.56	14.82
70	110.79	134.27	82.12	105.05	13.32	17.57	9.13	12.50
75	91.75	114.73	70.79	89.33	10.36	13.99	7.49	10.00
80	73.37	95.50	56.17	71.93	7.83	10.91	5.66	7.62
85	57.86	76.89	42.26	56.17	5.89	8.29	4.08	5.66



# SUMMARY OF ACTUARIAL ASSUMPTIONS

## Percent of Eligible Active Members Retiring Next Year

June 30, 2001

### *Missouri State Employees' Plan*

Retirement Ages	Percent	
	Men	Women
50	25.0%	20.0%
51	25.0	19.5
52	21.0	18.5
53	17.0	16.0
54	12.5	12.5
55	6.5	6.7
56	6.5	6.7
57	6.5	6.7
58	6.5	6.7
59	6.5	8.3
60	9.5	12.0
61	13.0	16.5
62	29.0	28.0
63	24.0	18.0
64	30.0	33.0
65	40.0	50.0
66	32.0	27.0
67	26.0	27.0
68	23.0	27.0
69	23.0	27.0
70	23.0	27.0
71	23.0	27.0
72	23.0	27.0
73	23.0	27.0
74	23.0	27.0
75 & over	100.0	100.0

# SUMMARY OF ACTUARIAL ASSUMPTIONS

## Percent of Eligible Active Members Retiring Next Year

June 30, 2001

*Administrative Law Judges and  
Legal Advisors' Plan*

Retirement Ages	Percent	
	Men	Women
55	5.0%	8.0%
56	5.0	8.0
57	5.0	8.0
58	5.0	8.0
59	5.0	8.0
60	15.0	25.0
61	10.0	15.0
62	15.0	25.0
63	10.0	15.0
64	10.0	25.0
65	25.0	55.0
66	20.0	35.0
67	20.0	25.0
68	30.0	25.0
69	30.0	60.0
70	30.0	60.0
71	30.0	60.0
72	30.0	60.0
73	30.0	60.0
74	30.0	60.0
75 & over	100.0	100.0

# SUMMARY OF ACTUARIAL ASSUMPTIONS

## Percent of Eligible Active Members Retiring Next Year

June 30, 2001

### *Judicial Plan*

Retirement Ages	Percent	
	Men	Women
55	5.0%	8.0%
56	5.0	8.0
57	5.0	8.0
58	5.0	8.0
59	5.0	8.0
60	10.0	15.0
61	5.0	10.5
62	10.0	15.0
63	5.0	10.0
64	5.0	10.0
65	25.0	40.0
66	20.0	25.0
67	20.0	25.0
68	20.0	25.0
69	30.0	50.0
70	100.0	100.0

# SUMMARY OF ACTUARIAL ASSUMPTIONS

## Miscellaneous and Technical Assumptions

June 30, 2001

### Pay Increase Timing

Beginning of (fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.

### Decrement Timing

Decrements of all types are assumed to occur mid-year.

### Eligibility Testing

Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

### Benefit Service

Exact fractional service is used to determine the amount of benefit payable.

### Decrement Relativity

Decrement rates are used directly from the experience study, without adjustments for multiple decrement table effects.

### Decrement Operation

Disability and turnover decrements do not operate during the first five years of service. They also do not operate during retirement eligibility.

### Normal Form of Benefit

The assumed normal form of benefit is the straight life form for the MSEP 2000 with 50.0% continuing to an eligible surviving spouse for the MSEP.

### Loads

Active accrued liabilities and reported active member payroll were reduced by 3.5% in the MSEP and 4.0% in the ALJLAP and the Judicial Plan to adjust for the overstatement that would otherwise have occurred as a result of a non-recurring additional payroll period in the year ended June 30, 2001.

### Incidence of Contributions

Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in the report, and the actual payroll payable at the time contributions are made. New entrant normal cost contributions are applied to the funding of new entrant benefits.

# SUMMARY OF MEMBER DATA INCLUDED IN VALUATIONS

## Pension Trust Funds

June 30, 2001

### Active Members

Valuation Group	Number	Payroll	Group Averages		
			Salary	Age (Years)	Service (Years)
<b>Missouri State Employees' Plan</b>					
General state employees	53,300	\$1,534,316,417	\$ 28,786	42.8	9.3
Elected state officials	6	568,761	94,794	44.1	4.1
Legislative clerks	104	2,714,311	26,099	52.2	13.1
Legislators	184	6,166,959	33,516	50.8	9.6
Uniformed members of the water patrol	85	3,243,019	38,153	37.5	12.1
Conservation department	1,523	56,400,770	37,033	42.5	13.0
School-term salaried employees	3,229	154,780,031	47,934	49.7	13.9
Total MSEP group	58,431	\$1,758,190,268	\$ 30,090	43.2	9.7
<b>Administrative Law Judges and Legal Advisors' Plan</b>	57	\$ 4,661,020	\$ 81,772	48.1	8.7
<b>Judicial Plan</b>	381	\$ 38,687,793	\$ 101,543	52.3	10.7

### Retired Lives

Type of Benefit Payment	Number	Annual Benefits	Group Averages	
			Benefit	Age (Years)
<b>Missouri State Employees' Plan</b>				
Retirement	17,817	\$ 211,314,648	\$ 11,860	70.4
Disability	39	156,702	4,018	57.0
Survivor of active member	1,047	6,609,293	6,313	58.7
Survivor of retired member	1,334	9,312,032	6,981	72.6
Total MSEP group	20,237	\$ 227,392,675	\$ 11,236	69.9
<b>Administrative Law Judges and Legal Advisors' Plan</b>	24	\$ 791,682	\$ 32,987	74.0
<b>Judicial Plan</b>	381	\$ 15,693,884	\$ 41,191	75.2

### Others

Group	Terminated-Vested	Leave of Absence	Long-Term Disability
<b>Missouri State Employees' Plan</b>	11,750	194	994
<b>Administrative Law Judges and Legal Advisors' Plan</b>	19	0	0
<b>Judicial Plan</b>	68	0	1

# ACTIVE MEMBERS BY ATTAINED AGE AND YEARS OF SERVICE

June 30, 2001

## Missouri State Employees' Plan

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Number	Valuation Payroll
Under 20	72							72	\$ 1,162,286
20-24	2,047	23						2,070	41,045,337
25-29	4,749	798	11					5,558	135,745,447
30-34	3,982	2,402	545	36				6,965	189,814,792
35-39	3,060	1,950	1,572	717	58			7,357	214,040,249
40-44	2,954	1,726	1,617	1,320	882	76		8,575	259,586,182
45-49	2,653	1,734	1,620	1,207	1,364	840	56	9,474	304,773,415
50-54	2,101	1,543	1,494	1,160	1,164	1,163	343	8,968	296,200,616
55-59	1,271	1,024	995	806	721	476	403	5,696	190,379,994
60	164	145	174	111	94	67	88	843	28,220,469
61	134	100	161	89	61	40	53	638	20,806,964
62	108	98	102	67	52	49	84	560	19,434,870
63	73	85	82	45	46	31	56	418	14,790,808
64	55	70	62	44	25	30	43	329	11,374,756
65	30	44	58	51	27	15	27	252	8,909,503
66	23	35	42	24	17	11	18	170	5,958,382
67	19	13	31	20	10	5	16	114	3,884,493
68	12	14	19	14	8	4	7	78	2,813,298
69	8	16	16	9	9	5	6	69	2,200,363
70 & Over	36	39	38	33	30	18	31	225	7,048,044
Totals	23,551	11,859	8,639	5,753	4,568	2,830	1,231	58,431	\$1,758,190,268

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

### Group Averages:

Age 43.2 years  
 Service 9.7 years  
 Annual pay \$30,090



# ACTIVE MEMBERS BY ATTAINED AGE AND YEARS OF SERVICE

June 30, 2001

## *Administrative Law Judges and Legal Advisors' Plan*

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Number	Valuation Payroll
30-34	3							3	\$ 204,216
35-39	3	4	1					8	608,777
40-44	3	6	3					12	978,832
45-49	4	3	4	2				13	1,101,319
50-54		3	2	2				7	597,328
55-59	2	2		1	1	1		7	570,430
60	2							2	179,574
64	1					1		2	169,739
66	1			1				2	174,197
79							1	1	76,608
Totals	19	18	10	6	1	2	1	57	\$4,661,020

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

### **Group Averages:**

Age	48.1 years
Service	8.7 years
Annual pay	\$81,772

# ACTIVE MEMBERS BY ATTAINED AGE AND YEARS OF SERVICE

June 30, 2001

## Judicial Plan

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Number	Valuation Payroll
30-34	2							2	\$ 191,520
35-39	9	3	1					13	1,265,280
40-44	25	12	3					40	3,934,193
45-49	19	28	16	9	4			76	7,731,005
50-54	31	25	21	10	15	4		106	10,729,711
55-59	15	18	22	10	8	4		77	7,877,651
60	3	3	5	4	2		1	18	1,846,359
61	2	2	1	2	2	2		11	1,128,279
62		1	2	1	1		2	7	732,319
63		1	4		1			6	629,559
64	1		1	1			1	4	421,959
65			3	1	1	1		6	624,559
66			1		1			2	215,520
67		1		1		2	1	5	514,800
68					2	1		3	330,279
69		1	1		1	1	1	5	514,800
Totals	107	95	81	39	38	15	6	381	\$ 38,687,793

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

### Group Averages:

Age	52.3 years
Service	10.7 years
Annual pay	\$101,543

# SCHEDULES OF ACTIVE MEMBER VALUATION DATA

Six Years Ended June 30, 2001

## Missouri State Employees' Plan

Schedule of Active Member Valuation Data				
Valuation Date	Number	Annual Payroll	Annual Average Pay	Percentage of Increase in Average Pay
June 30, 1996	51,425	\$ 1,267,605,000	\$ 24,650	3.88%
June 30, 1997	52,737	1,359,656,666	25,782	4.59
June 30, 1998	54,544	1,459,712,203	26,762	3.80
June 30, 1999	56,158	1,564,551,532	27,860	4.10
June 30, 2000	57,774	1,683,697,080	29,143	4.61
June 30, 2001	58,431	1,758,190,268	30,090	3.25

## Administrative Law Judges and Legal Advisors' Plan

Schedule of Active Member Valuation Data				
Valuation Date	Number	Annual Payroll	Annual Average Pay	Percentage of Increase in Average Pay
June 30, 1996	46	\$ 2,706,314	\$ 58,833	4.90%
June 30, 1997	45	2,865,733	63,683	8.24
June 30, 1998	42	2,806,436	66,820	4.93
June 30, 1999	47	3,488,698	74,228	11.09
June 30, 2000	52	4,072,888	78,325	5.52
June 30, 2001	57	4,661,020	81,772	4.40

## Judicial Plan

Schedule of Active Member Valuation Data				
Valuation Date	Number	Annual Payroll	Annual Average Pay	Percentage of Increase in Average Pay
June 30, 1996	366	\$ 29,908,056	\$ 81,716	4.25%
June 30, 1997	365	31,663,101	86,748	6.16
June 30, 1998	365	32,446,141	88,894	2.47
June 30, 1999	366	34,162,013	93,339	5.00
June 30, 2000	375	37,107,487	98,953	6.01
June 30, 2001	381	38,687,793	101,543	2.62

# RETIREES AND BENEFICIARIES ADDED AND REMOVED

Six Years Ended June 30, 2001

## Missouri State Employees' Plan

Fiscal Year Ended	Classification	Benefit Type	Added to Rolls	
			Number	Annual Allowances
June 30, 1996	General employee	Retirement		
		Survivor of active		
		Survivor of retired		
		Disability		
	Lincoln University-vested	Occupational disability		
		Retirement		
		Survivor of active		
		Retirement		
	Legislative	Survivor of active		
		Survivor of retired		
		Retirement		
		Survivor of active		
June 30, 1997	General employee	Retirement	1,083	\$ 14,896,637
		Survivor of active	82	582,915
		Survivor of retired	70	693,859
		Disability	1	13,242
	Lincoln University-vested	Occupational disability	0	0
		Retirement	1	7,710
		Survivor of active	0	0
		Retirement	20	374,048
	Legislative	Survivor of active	0	1,888
		Survivor of retired	1	13,414
		Retirement	2	86,684
		Survivor of active		
June 30, 1998	General employee	Retirement	1,270	19,629,029
		Survivor of active	81	665,237
		Survivor of retired	122	951,214
		Disability	0	7,932
	Lincoln University-vested	Occupational disability	0	0
		Retirement	1	994
		Survivor of active	0	0
		Retirement	13	244,763
	Legislative	Survivor of active	1	10,818
		Survivor of retired	3	34,201
		Retirement	0	2,551
		Survivor of active	0	0
June 30, 1998	General employee	Survivor of retired	1	21,512
		Retirement		
		Survivor of active		
		Survivor of retired		
	Lincoln University-vested	Occupational disability		
		Retirement		
		Survivor of active		
		Retirement		
	Legislative	Survivor of active		
		Survivor of retired		
		Retirement		
		Survivor of active		
	Elected state officials	Survivor of retired		
		Retirement		
		Survivor of active		
		Survivor of retired		

Missouri State Employees' Plan continued on following page.

Detailed information regarding retirees and beneficiaries added and removed from rolls for fiscal year ending June 30, 1996, is not available.

Number	Annual Allowances	Number	Annual Allowances	Percentage Increase in Annual Allowances	Average Annual Allowance	Percentage Increase In Average Annual Allowance
		13,424	\$ 106,532,414		\$ 7,936	
		747	3,187,385		4,267	
		569	3,186,442		5,600	
		86	317,646		3,694	
		1	17,448		17,448	
		4	25,715		6,429	
		1	2,886		2,886	
		139	2,302,233		16,563	
		6	47,204		7,867	
		27	182,124		6,745	
		1	39,444		39,444	
		0	0			
		0	0			
595	\$ 4,153,718	13,912	117,275,333	10.08%	8,430	6.22%
23	74,143	806	3,696,157	15.96	4,586	7.47
19	103,644	620	3,776,657	18.52	6,091	8.77
11	47,701	76	283,187	(10.85)	3,726	0.88
0	0	1	17,448	0.00	17,448	0.00
0	0	5	33,425	29.98	6,685	3.99
0	0	1	2,886	0.00	2,886	0.00
6	104,376	153	2,571,905	11.71	16,810	1.49
1	18,693	5	30,399	(35.60)	6,080	(22.72)
0	0	28	195,538	7.37	6,983	3.53
0	0	3	126,128	219.76	42,043	6.59
		0	0	0.00	0	0.00
		0	0	0.00	0	0.00
650	4,947,946	14,532	131,956,416	12.52	9,080	7.72
27	81,763	860	4,279,631	15.79	4,976	8.52
42	187,731	700	4,540,141	20.22	6,486	6.48
13	49,220	63	241,899	(14.58)	3,840	3.05
0	0	1	17,448	0.00	17,448	0.00
0	0	6	34,419	2.97	5,736	(14.19)
0	0	1	2,886	0.00	2,886	0.00
8	129,692	158	2,686,977	4.47	17,006	1.17
0	0	6	41,217	35.59	6,870	12.99
3	11,086	28	218,653	11.82	7,809	11.82
1	41,811	2	86,868	(31.13)	43,434	3.31
0	0	0	0	0.00	0	0.00
0	0	1	21,512	0.00	21,512	0.00

# RETIREES AND BENEFICIARIES ADDED AND REMOVED

Six Years Ended June 30, 2001

Missouri State Employees' Plan continued from previous page

Fiscal Year Ended	Classification	Benefit Type	Added to Rolls	
			Number	Annual Allowances
June 30, 1999	General employee	Retirement	1,282	\$ 18,566,542
		Survivor of active	95	773,822
		Survivor of retired	152	1,081,059
		Disability	0	4,558
		Occupational disability	0	0
	Lincoln University-vested	Retirement	1	1,051
		Survivor of active	0	(262)
	Legislative	Retirement	10	257,072
		Survivor of active	2	26,662
		Survivor of retired	5	39,656
	Elected officials	Retirement	1	49,578
		Survivor of active		
		Survivor of retired	0	861
June 30, 2000	General employee	Retirement	1,337	20,272,214
		Survivor of active	86	1,020,432
		Survivor of retired	416	2,481,786
		Disability	1	8,081
		Occupational disability	0	0
	Lincoln University-vested	Retirement	1	5,860
		Survivor of active	0	0
	Legislative	Retirement	8	204,076
		Survivor of active	0	2,157
		Survivor of retired	3	36,026
	Elected officials	Retirement	0	6,821
		Survivor of active		
		Survivor of retired	0	895
June 30, 2001	General employee	Retirement	2,580	55,234,780
		Survivor of active	84	814,517
		Survivor of retired	197	1,832,029
		Disability	0	3,518
		Occupational disability	0	0
	Lincoln University-vested	Retirement	1	1,841
		Survivor of active	0	0
	Legislators	Retirement	14	436,356
		Survivor of active	0	2,468
		Survivor of retired	7	89,399
	Elected officials	Retirement	6	230,136
		Survivor as active	1	56,938
		Survivor of retired	0	931



Number	Annual Allowances	Number	Annual Allowances	Percentage Increase in Annual Allowances	Average Annual Allowance	Percentage Increase in Average Annual Allowance
637	\$ 4,686,352	15,177	\$ 145,836,607	10.52%	\$ 9,609	5.82%
21	47,199	934	5,006,254	16.98	5,360	7.71
37	193,063	815	5,428,137	19.56	6,660	2.69
4	21,045	59	225,412	(6.82)	3,821	(0.50)
0	0	1	17,448	0.00	17,448	0.00
1	4,327	6	31,143	(9.52)	5,190	(9.52)
0	0	1	2,623	(9.09)	2,623	(9.09)
7	105,277	161	2,838,771	5.65	17,632	3.68
0	0	8	67,879	64.69	8,485	23.51
6	60,921	27	197,388	(9.73)	7,311	(6.38)
		3	136,446	57.07	45,482	4.71
		0	0	0.00	0	0.00
		1	22,372	4.00	22,372	4.00
649	5,324,814	15,865	160,784,007	10.25	10,135	5.47
37	110,049	983	5,916,636	18.18	6,019	12.29
47	294,927	1,184	7,614,996	40.29	6,432	(3.43)
8	43,141	52	190,352	(15.55)	3,661	(4.19)
0	0	1	17,448	0.00	17,448	0.00
0	0	7	37,003	18.82	5,286	1.84
0	0	1	2,623	0.00	2,623	0.00
3	95,126	166	2,947,722	3.84	17,757	0.71
0	0	8	70,036	3.18	8,754	3.18
0	0	30	233,414	18.25	7,780	6.43
		3	143,267	5.00	47,756	5.00
		0	0	0.00	0	0.00
		1	23,267	4.00	23,267	4.00
670	5,935,443	17,775	210,083,344	30.66	11,819	16.62
27	173,754	1,040	6,557,400	10.83	6,305	4.76
67	328,785	1,314	9,118,239	19.74	6,939	7.89
14	55,684	38	138,186	(27.41)	3,636	(0.66)
0	0	1	17,448	0.00	17,448	0.00
0	0	8	38,844	4.97	4,855	(8.15)
0	0	1	2,623	0.00	2,623	0.00
9	156,423	171	3,227,654	9.50	18,875	6.29
0	0	8	72,503	3.52	9,063	3.52
1	11,056	36	311,756	33.56	8,660	11.30
0	0	9	373,403	160.63	41,489	(13.12)
		1	56,938	0.00	56,938	0.00
		1	24,198	4.00	24,198	4.00

# RETIREEES AND BENEFICIARIES ADDED AND REMOVED

Six Years Ended June 30, 2001

## *Administrative Law Judges and Legal Advisors' Plan*

Fiscal Year Ended	Benefit Type	Added to Rolls		Removed From Rolls	
		Number	Annual Allowances	Number	Annual Allowances
June 30, 1996	Retirement Survivor of active Survivor of retired				
June 30, 1997	Retirement	1	\$ 51,588	4	\$ 152,520
	Survivor of active		621	0	0
	Survivor of retired	3	58,510	0	0
June 30, 1998	Retirement	3	123,798	0	0
	Survivor of active	0	645	0	0
	Survivor of retired	0	3,734	0	0
June 30, 1999	Retirement	0	24,637	0	0
	Survivor of active	0	671	0	0
	Survivor of retired	0	3,883	0	0
June 30, 2000	Retirement	0	23,908	1	42,874
	Survivor of active	0	698	1	18,148
	Survivor of retired	1	25,475	0	0
June 30, 2001	Retirement	1	57,621	1	39,647
	Survivor of active	0	0	0	0
	Survivor of retired	1	25,674	0	0

Detailed information regarding retirees and beneficiaries added and removed from roll for fiscal year ending June 30, 1996 is not available.

Number	Annual Allowances	Percentage Increase in Annual Allowances	Average Annual Allowance	Percentage Increase In Average Annual Allowance
17 1 3	\$ 593,066 15,513 34,833		\$ 34,886 15,513 11,611	
14 1 6	492,134 16,134 93,343	(17.02)% 4.00 167.98	35,152 16,134 15,557	0.76% 4.00 33.99
17 1 6	615,933 16,779 97,077	25.16 4.00 4.00	36,231 16,779 16,179	3.07 4.00 4.00
17 1 6	640,570 17,450 100,960	4.00 4.00 4.00	37,681 17,450 16,827	4.00 4.00 4.01
16 0 7	621,604 0 126,435	(2.96) 0.00 25.23	38,850 0 18,062	3.10 0.00 7.34
16 0 8	639,577 0 152,109	2.89 0.00 20.31	39,974 0 19,014	2.89 0.00 5.27

# RETIREE AND BENEFICIARIES ADDED AND REMOVED

Six Years Ended June 30, 2001

## Judicial Plan

Fiscal Year Ended	Benefit Type	Added to Rolls		Removed From Rolls	
		Number	Annual Allowances	Number	Annual Allowances
June 30, 1996	Retirement Survivor of active Survivor of retired Disability				
June 30, 1997	Retirement	5	\$ 581,733	6	\$ 237,358
	Survivor of active	1	34,290	1	15,186
	Survivor of retired	4	136,079	8	70,013
	Disability	1	42,593	0	0
June 30, 1998	Retirement	22	1,427,677	8	341,058
	Survivor of active	27	362,157	0	0
	Survivor of retired	6	185,841	34	424,102
	Disability	0	2,458	0	0
June 30, 1999	Retirement	22	1,293,321	11	514,874
	Survivor of active	1	53,269	3	31,176
	Survivor of retired	6	185,690	6	142,056
	Disability	1	47,771	3	130,852
June 30, 2000	Retirement	18	1,343,591	11	535,292
	Survivor of active	2	76,496	1	6,813
	Survivor of retired	10	295,547	7	93,502
	Disability	1	46,500	0	0
June 30, 2001	Retirement	25	2,241,337	8	354,861
	Survivor of active	2	83,627	2	34,642
	Survivor of retired	1	76,395	4	42,983
	Disability	0	1,500	0	0

Detailed information regarding added and removed from rolls for fiscal year ending June 30, 1996 not available.

Number	Annual Allowances	Percentage Increase in Annual Allowances	Average Annual Allowance	Percentage Increase In Average Annual Allowance
207	\$ 8,348,913		\$ 40,333	
18	353,373		19,632	
112	1,354,829		12,097	
1	38,030		38,030	
206	8,693,288	4.12%	42,200	4.63%
18	372,478	5.41	20,693	5.40
108	1,420,895	4.88	13,156	8.75
2	80,623	112.00	40,311	6.00
220	9,779,907	12.50	44,454	5.34
45	734,634	97.23	16,325	(21.11)
80	1,182,635	(16.77)	14,783	12.37
2	83,081	3.05	41,541	3.05
231	10,558,354	7.96	45,707	2.82
43	756,728	3.01	17,598	7.80
80	1,226,269	3.69	15,328	3.69
0	0	0.00	0	0
238	11,366,653	7.66	47,759	4.49
44	826,410	9.21	18,782	6.73
83	1,428,314	16.48	17,209	12.27
1	46,500	100.00	46,500	100.00
255	13,253,130	16.60	51,973	8.82
44	875,395	5.93	19,895	5.93
80	1,461,726	2.34	18,272	6.18
1	48,000	3.23	48,000	3.23

# SHORT-TERM SOLVENCY TEST

## Pension Trust Funds

Ten Years Ended June 30, 2001

### Missouri State Employees' Plan

Fiscal Year	Actuarial Accrued Liabilities for				Percentage of Actuarial Liabilities Covered by Assets Available for		
	Member Contributions (1)	Current Retirees and Beneficiaries (2)	Active and Inactive Members, Employer Financed Portion (3)	Actuarial Value of Assets	(1)	(2)	(3)
1992	\$ 455,328	\$ 662,010,170	\$ 1,629,118,392	\$ 1,991,215,165	100.0%	100.0%	81.6%
1993	448,909	743,697,883	1,703,075,268	2,236,558,739	100.0	100.0	87.6
1994	448,559	909,819,763	2,009,188,103	2,425,134,504	100.0	100.0	75.4
1995	448,559	1,010,431,608	2,139,916,413	2,649,077,134	100.0	100.0	76.6
1996	448,559	1,156,347,608	2,283,330,316	2,927,896,643	100.0	100.0	77.6
1997	448,501	1,552,966,747	2,930,632,553	3,580,974,502	100.0	100.0	69.2
1998	447,716	1,688,502,950	3,229,936,517	4,210,635,094	100.0	100.0	78.1
1999	0	1,970,504,367	3,535,464,262	4,908,820,033	100.0	100.0	83.1
2000	0	2,142,487,495	3,778,196,697	5,511,714,616	100.0	100.0	89.2
2001	0	2,496,277,500	3,568,889,216	5,881,232,850	100.0	100.0	94.8

### Administrative Law Judges and Legal Advisors' Plan

Fiscal Year	Actuarial Accrued Liabilities for				Percentage of Actuarial Liabilities Covered by Assets Available for		
	Member Contributions (1)	Current Retirees and Beneficiaries (2)	Active and Inactive Members, Employer Financed Portion (3)	Actuarial Value of Assets	(1)	(2)	(3)
1992	\$ 0	\$ 4,910,423	\$ 2,572,992	\$ 5,247,546	100.0%	100.0%	13.1%
1993	0	5,615,161	2,549,307	5,864,317	100.0	100.0	9.8
1994	0	5,973,718	2,793,014	6,229,224	100.0	100.0	9.1
1995	0	6,088,732	3,641,223	6,655,207	100.0	100.0	15.6
1996	0	6,196,526	4,079,837	7,258,814	100.0	100.0	26.0
1997	0	6,569,957	4,857,224	8,864,395	100.0	100.0	47.2
1998	0	7,415,852	5,471,056	10,285,233	100.0	100.0	52.4
1999	0	7,883,988	6,890,537	11,763,737	100.0	100.0	56.3
2000	0	7,526,118	8,995,625	13,191,825	100.0	100.0	63.0
2001	0	7,534,368	9,275,594	14,410,199	100.0	100.0	74.1

### Judicial Plan

Fiscal Year	Actuarial Accrued Liabilities for				Percentage of Actuarial Liabilities Covered by Assets Available for		
	Member Contributions (1)	Current Retirees and Beneficiaries (2)	Active and Inactive Members, Employer Financed Portion (3)	Actuarial Value of Assets	(1)	(2)	(3)
1992	\$ 0	\$ 64,240,019	\$ 62,900,515	\$ 0	100.0%	0.0%	0.0%
1993	0	65,843,955	66,598,009	0	100.0	0.0	0.0
1994	0	70,477,754	71,117,871	0	100.0	0.0	0.0
1995	0	81,586,593	72,060,389	0	100.0	0.0	0.0
1996	0	86,145,180	75,588,930	0	100.0	0.0	0.0
1997	0	99,662,179	97,810,394	0	100.0	0.0	0.0
1998	0	108,392,273	99,187,524	0	100.0	0.0	0.0
1999	0	120,543,611	107,258,730	6,067,305	100.0	5.0	0.0
2000	0	131,199,867	110,597,474	13,861,769	100.0	10.6	0.0
2001	0	143,163,718	104,815,186	22,613,050	100.0	15.8	0.0



## DERIVATION OF EXPERIENCE GAIN (LOSS)

### MISSOURI STATE EMPLOYEES' PLAN

Actual experience will never coincide exactly with assumed experience (except by coincidence). It is assumed that gains and losses will be in balance over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the experience gain (loss) for the year ended June 30, 2001, is shown below.

	<b>Funded Benefits \$ Millions</b>
(1) UAAL* at start of year	703.8
(2) Normal cost from last valuation	158.5
(3) Actual employer contributions	215.8
(4) Interest accrual: $(1) \times .085 + [(2)-(3)] \times (.085/2)$	57.4
(5) Expected UAAL before changes: $(1) + (2) - (3) + (4)$	703.9
(6) Change from any changes in benefits, assumptions, or methods	(779.6)
(7) Expected UAAL after changes: $(5) + (6)$	(75.7)
(8) Actual UAAL at end of year	183.9
(9) Gain (loss) $(7) - (8)$	(259.6)
(10) Gain (loss) as a percent of actuarial accrued liabilities at start of year (\$5,921)	(4.4)%

\* Unfunded actuarial accrued liability

Valuation Date June 30	Actuarial Gain (Loss) as a Percentage of Beginning Accrued Liabilities
1994	2.9%
1995	0.6
1996	0.4
1997	5.5
1998	5.5
1999	4.7
2000	2.7
2001	(4.4)

## DERIVATION OF EXPERIENCE GAIN (LOSS)

### ADMINISTRATIVE LAW JUDGES AND LEGAL ADVISORS' PLAN

The actuarial gains or losses realized in the operation of the retirement system provide an experience test. Gains and losses are expected to cancel each other over a period of years (in the absence of double-digit inflation), and sizable year-to-year fluctuations are common. Detail on the derivation of the actuarial gain (loss) is shown below, along with a year-by-year comparative schedule.

	<b>Funded Benefits</b>
(1) UAAL* at start of year	\$3,616,599
(2) Employer normal cost middle of year	857,433
(3) Employer contributions	1,074,946
(4) Interest	
a. on (1)	307,411
b. on (2)	36,441
c. on (3)	45,685
d. total [a + b - c]	298,167
(5) Expected UAAL end of the year before changes	3,697,253
(6) Change in UAAL end of year	
a. amendments	(1,048,343)
b. assumptions	(466,831)
c. methods	
d. total	(1,515,174)
(7) Expected UAAL after changes: (5) + (6d)	2,182,079
(8) Actual UAAL at end of year	2,399,763
(9) Gain (loss) (7) - (8)	(217,684)
(10) Gain (loss) as a percent of actuarial accrued liabilities at start of year (\$16,521,743)	(1.3)%

\* Unfunded actuarial accrued liability

Valuation Date June 30	Actuarial Gain (Loss) as a Percentage of Beginning Accrued Liabilities
2000	0.3%
2001	(1.3)

## DERIVATION OF EXPERIENCE GAIN (LOSS)

### JUDICIAL PLAN

The actuarial gains or losses realized in the operation of the retirement system provide an experience test. Gains and losses are expected to cancel each other over a period of years (in the absence of double-digit inflation), and sizable year-to-year fluctuations are common. Detail on the derivation of the actuarial gain (loss) is shown below, along with a year-by-year comparative schedule.

	<b>Funded Benefits</b>
(1) UAAL* at start of year	\$228,281,631
(2) Employer normal cost middle of year	8,567,734
(3) Employer contributions	22,473,913
(4) Interest	
a. on (1)	19,403,939
b. on (2)	364,129
c. on (3)	955,141
d. total [a + b - c]	18,812,927
(5) Expected UAAL end of the year before changes	233,188,379
(6) Change in UAAL end of year	
a. amendments	(14,850,407)
b. assumptions	(657,845)
c. methods	
d. total	(15,508,252)
(7) Expected UAAL after changes: (5) + (6d)	217,680,127
(8) Actual UAAL at end of year	225,365,854
(9) Gain (loss) (7) - (8)	(7,685,727)
(10) Gain (loss) as a percent of actuarial accrued liabilities at start of year (\$227,802,341)	(3.2)%

\* Unfunded actuarial accrued liability

Valuation Date June 30	Actuarial Gain (Loss) as a Percentage of Beginning Accrued Liabilities
2000	(1.7)%
2001	(3.2)

# SUMMARY PLAN PROVISIONS\*

## MISSOURI STATE EMPLOYEES' PLAN

### GENERAL STATE EMPLOYEE

As of June 30, 2001

#### *Comparison of the MSEP and the MSEP 2000 for General State Employees*

PLAN PROVISION	MSEP	MSEP 2000
Membership eligibility	Members who work in a position normally requiring at least 1,000 hours of work a year.	Members hired for the first time on or after July 1, 2000, in a position normally requiring at least 1,000 hours of work a year.  Members who left state employment prior to becoming vested and return to work on or after July 1, 2000, in a position normally requiring at least 1,000 hours of work a year.
Normal retirement eligibility	Age 65 and active with 4 years of service, Age 65 with 5 years of service, Age 60 with 15 years of service, or "Rule of 80" - minimum age 50.	Age 62 with 5 years of service or "Rule of 80" - minimum age 50.
Early retirement eligibility	Age 55 with 10 years of service.	Age 57 with 5 years of service.
Benefit		
Life benefit	1.6% x final average pay (FAP) x service.	1.7% x FAP x service.
Temporary benefit	Not available.	0.8% x FAP x service (until age 62 - only if retiring under "Rule of 80").
Vesting	5 years of service.	5 years of service.
In-service COLA	COLA given for service beyond age 65. COLA provisions are determined by employment date.	Not available.
COLA	If hired before August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a minimum of 4% and a maximum of 5% until reaching 65% cap. Thereafter, the rate is based on 80% of the change in the CPI with maximum rate of 5%.  If hired on or after August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a maximum rate of 5%.	Annual COLA is equal to 80% of the change in the CPI with a maximum rate of 5%.
Survivor benefit (Death before retirement)		
Non duty-related death	Survivor benefit to eligible spouse calculated using the Joint & 100% Survivor Option or 80% of the member's Life Income Annuity paid to eligible children.	Survivor benefit to eligible spouse calculated using the Joint & 100% Survivor Option or 80% of the member's Life Income Annuity paid to eligible children.
Duty-related death	Survivor benefit to eligible spouse or children equal to 50% of current pay (no service requirement).	Survivor benefit to eligible spouse or children equal to 50% of current pay (no service requirement).
Optional forms of payment (Death after retirement)	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: - Life Income Annuity - Unreduced Joint & 50% Survivor - Joint & 100% Survivor - 60 or 120 Guaranteed Payments	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: - Life Income Annuity - Joint & 50% Survivor - Joint & 100% Survivor - 120 or 180 Guaranteed Payments

\* This summary describes the plan provisions of the Revised Statutes of Missouri (RSMo), as amended, that governed the programs, which MOSERS administered during the period covered by this report. It does not overrule any applicable statute or administrative rule and, in the event of a conflict, the applicable statute or rule would apply. The MSEP 2000 became effective July 1, 2000.

# **MISSOURI STATE EMPLOYEES' PLAN**

## **UNIFORMED MEMBERS OF THE WATER PATROL**

As of June 30, 2001

### ***Comparison of the MSEP and the MSEP 2000 for Uniformed Members of the Water Patrol***

<b>PLAN PROVISION</b>	<b>MSEP</b>	<b>MSEP 2000</b>
Membership eligibility	Members who work in a position normally requiring at least 1,000 hours of work a year.	Members hired for the first time on or after July 1, 2000, in a position normally requiring at least 1,000 hours of work a year.  Members who left state employment prior to becoming vested and return to work on or after July 1, 2000, in a position normally requiring at least 1,000 hours of work a year.
Normal retirement eligibility	Age 55 and active with 4 years of service, Age 55 with 5 years of service, or "Rule of 80" - minimum age 50.	Age 62 with 5 years of service or "Rule of 80" - minimum age 50.
Early retirement eligibility	Not available.	Age 57 with 5 years of service.
Benefit		
Life benefit	1.6% x FAP x service increased by 33.3%.	1.7% x FAP x service.
Temporary benefit	Not available.	0.8% x FAP x service (until age 62 - only if retiring under "Rule of 80").
Vesting	5 years of service.	5 years of service.
In-service COLA	COLA given for service beyond age 65. COLA provisions are determined by employment date.	Not available.
COLA	If hired before August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a minimum of 4% and a maximum of 5% until reaching 65% cap. Thereafter, the rate is based on 80% of the change in the CPI with maximum rate of 5%.  If hired on or after August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a maximum rate of 5%.	Annual COLA is equal to 80% of the change in the CPI with a maximum rate of 5%.
Survivor benefit (Death before retirement)		
Non duty-related death	Survivor benefit to eligible spouse calculated using the Joint & 100% Survivor Option or 80% of the member's Life Income Annuity paid to eligible children.	Survivor benefit to eligible spouse calculated using the Joint & 100% Survivor Option or 80% of the member's Life Income Annuity paid to eligible children.
Duty-related death	Survivor benefit to eligible spouse or children equal to 50% of current pay (no service requirement).	Survivor benefit to eligible spouse or children equal to 50% of current pay (no service requirement).
Optional forms of payment (Death after retirement)	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: - Life Income Annuity - Unreduced Joint & 50% Survivor - Joint & 100% Survivor - 60 or 120 Guaranteed Payments	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: - Life Income Annuity - Joint & 50% Survivor - Joint & 100% Survivor - 120 or 180 Guaranteed Payments

# MISSOURI STATE EMPLOYEES' PLAN

## LEGISLATORS

As of June 30, 2001

### Comparison of the MSEP and the MSEP 2000 for Legislators

PLAN PROVISION	MSEP	MSEP 2000
Membership eligibility	Elected to the general assembly.	Elected to the general assembly on or after July 1, 2000.
Normal retirement eligibility	Age 55 with 3 full-biennial assemblies.	Age 55 with 2 full-biennial assemblies or "Rule of 80" - minimum age 50.
Early retirement eligibility	Not available.	Not available.
Benefit Life benefit	\$150 per month per biennial assembly.	(Monthly base pay ÷ 24) x service capped at 100% of pay.
Temporary benefit	Not available.	Not available.
Vesting	3 full-biennial assemblies.	2 full-biennial assemblies.
In-service COLA	COLA given for service beyond age 65. COLA provisions are determined by employment date.	Not available.
COLA	<p>If hired before August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a minimum of 4% and a maximum of 5% until reaching 65% cap. Thereafter, the rate is based on 80% of the change in the CPI with maximum rate of 5%.</p> <p>If hired on or after August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a maximum rate of 5%.</p>	Benefit adjusted each year based on the increase in the current pay for an active member of the general assembly.
Survivor benefit (Death before retirement) Non duty-related death	Survivor benefit to eligible spouse calculated using the Joint & 100% Survivor Option or 80% of the member's Life Income Annuity paid to eligible children.	Survivor benefit to eligible spouse calculated using the Joint & 100% Survivor Option or 80% of the member's Life Income Annuity paid to eligible children.
Duty-related death	Survivor benefit to eligible spouse or children equal to 50% of current pay (no service requirement).	Survivor benefit to eligible spouse or children equal to 50% of current pay (no service requirement).
Optional forms of payment (Death after retirement)	<p>Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include:</p> <ul style="list-style-type: none"> <li>- Life Income Annuity</li> <li>- Unreduced Joint &amp; 50% Survivor</li> <li>- Joint &amp; 100% Survivor</li> <li>- 60 or 120 Guaranteed Payments</li> </ul>	<p>Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include:</p> <ul style="list-style-type: none"> <li>- Life Income Annuity</li> <li>- Joint &amp; 50% Survivor</li> <li>- Joint &amp; 100% Survivor</li> <li>- 120 or 180 Guaranteed Payments</li> </ul>

# MISSOURI STATE EMPLOYEES' PLAN

## ELECTED STATE OFFICIALS

As of June 30, 2001

### *Comparison of the MSEP and the MSEP 2000 for Elected State Officials*

PLAN PROVISION	MSEP	MSEP 2000
Membership eligibility	Elected to state office.	Elected to a state office on or after July 1, 2000.
Normal retirement eligibility	Age 65 with 4 years of service, Age 60 with 15 years of service, or "Rule of 80" - minimum age 50.	Age 55 with 4 years of service or "Rule of 80" - minimum age 50.
Early retirement eligibility	Age 55 with 10 years of service.	Not available.
Benefit Life benefit	<u>12 or more years of service</u> 50% of current pay for highest position held. <u>Less than 12 years of service</u> 1.6% x FAP x service.	(Monthly base pay ÷ 24) x service capped at 12 years or 50% of pay.
Temporary benefit	Not available.	Not available.
Vesting	4 years of service.	4 years of service.
In-service COLA	COLA provisions determined by amount of service relative to 12 years and date of employment.	Not available.
COLA	<u>12 or more years of service</u> COLA is equal to the increase in the current pay of an active elected state official in the highest position held. <u>Less than 12 years of service</u> If hired before August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a minimum of 4% and a maximum of 5% until reaching 65% cap. Thereafter, the rate is based on 80% of the change in the CPI with maximum rate of 5%.  If hired on or after August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a maximum rate of 5%.	Benefit adjusted each year based on the increase in the current pay for an active elected state official in the highest position held.
Survivor benefit (Death before retirement) Non duty-related death	Survivor benefit to eligible spouse calculated using the Joint & 100% Survivor Option or 80% of the member's Life Income Annuity paid to eligible children.	Survivor benefit to eligible spouse calculated using the Joint & 100% Survivor Option or 80% of the member's Life Income Annuity paid to eligible children.
Duty-related death	Survivor benefit to eligible spouse or children equal to 50% of current pay (no service requirement).	Survivor benefit to eligible spouse or children equal to 50% of current pay (no service requirement).
Optional forms of payment (Death after retirement)	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: - Life Income Annuity - Unreduced Joint & 50% Survivor - Joint & 100% Survivor - 60 or 120 Guaranteed Payments	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: - Life Income Annuity - Unreduced Joint & 50% Survivor - Joint & 100% Survivor - 120 or 180 Guaranteed Payments



# ADMINISTRATIVE LAW JUDGES AND LEGAL ADVISORS' PLAN

As of June 30, 2001

PLAN PROVISION	REQUIREMENT
Membership eligibility	Administrative law judge or legal advisor in the Division of Worker's Compensation or the Office of Administration, a member or legal counsel of the Labor and Industrial Relations Commission, chairperson of the State Board of Mediation, or an administrative hearing commissioner.
Normal retirement eligibility	Age 62 with 12 years of service, Age 60 with 15 years of service, or Age 55 with 20 years of service.
Reduced retirement eligibility	Age 65 with less than 12 years of service with reduced benefit, based upon years of service relative to 12 years.
Benefit formula	<u>12 or more years of service</u> 50% of the average highest 12 consecutive months of salary.
Vesting	Immediate.
In-service COLA	Not available.
COLA	If hired before August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a minimum of 4% and a maximum of 5% until reaching 65% cap. Thereafter, the rate is based on 80% of the change in the CPI with maximum rate of 5%.  If hired on or after August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a maximum rate of 5%.
Survivor benefit (Death before retirement)	Survivor benefit to eligible spouse equal to 50% of the benefit the member would have received.
Survivor benefit (Death after retirement)	Survivor benefit to eligible spouse equal to 50% of the member's annuity at the time of death.

## **JUDICIAL PLAN**

As of June 30, 2001

PLAN PROVISION	REQUIREMENT
Membership eligibility	Must be a judge or commissioner of the supreme court or of the court of appeals, or a judge of any circuit court, probate court, magistrate court, court of common pleas, or court of criminal corrections, or a justice of the peace, or a commissioner or deputy commissioner of the circuit court appointed after February 29, 1972.
Normal retirement eligibility	Age 62 with 12 years of service, Age 60 with 15 years of service, or Age 55 with 20 years of service.
Early retirement eligibility	Age 62 with less than 12 years of service or age 60 with less than 15 years of service with a reduced benefit based on years of service relative to 12 or 15 years.
Benefit formula	<u>12 or more years of service</u> 50% of the FAP. <u>Less than 12 or 15 years of service</u> <i>If between age 60 and 62</i> (years of service ÷ 15) x 50% of compensation on the highest court served. <i>If age 62</i> (years of service ÷ 12) x 50% of compensation on the highest court served.
Vesting	Immediate.
In-service COLA	Judges who are at least age 60 and work beyond the date first eligible for unreduced benefits will receive COLAs for each year worked beyond normal retirement eligibility. COLA provisions are determined by date of employment.
COLA	If hired before August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a minimum of 4% and a maximum of 5% until reaching 65% cap. Thereafter, the rate is based on 80% of the change in the CPI with maximum rate of 5%.  If hired on or after August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a maximum rate of 5%.
Survivor benefit (Death before retirement)	Survivor benefit to eligible spouse equal to 50% of the benefit the member would have received based on service to age 70.
Survivor benefit (Death after retirement)	Survivor benefit to eligible spouse equal to 50% of the member's annuity at the time of death.

### **Contributions**

The plans previously described are noncontributory with the entire cost paid by the state of Missouri. The contribution rate paid by the state for the general state employees, uniformed members of the water patrol, legislators, and elected state officials retirement plan for FY2001 was 11.59% of the membership payroll. The contribution rate paid by the state for the ALJLAP for FY2000 was 22.32% of the membership payroll. The contribution rate paid by the state for the Judicial Plan for FY2001 was 55.30% of the membership payroll.

# LIFE INSURANCE PLANS

As of June 30, 2001

*MOSERS administers basic and optional term life insurance plans for eligible state employees and retirees.*

ACTIVE MEMBERS*	REQUIREMENT
<b>Basic Life Insurance</b> An amount equal to one-times annual salary while actively employed.	Actively employed in an eligible state position resulting in membership in MOSERS.
<b>Duty-Related Death Benefit</b> Duty-related death benefit equivalent to two-times the annual salary the member was earning at the time of death (with a minimum of \$30,000), in addition to the basic life insurance amount of one-times annual salary.	Actively employed in an eligible state position resulting in membership in MOSERS.
<b>Optional Life Insurance</b> Additional life insurance may be purchased in multiples of annual salary up to a maximum of the lesser of six-times annual salary (excluding any nonrecurring, single sum payment) or \$800,000 or in a flat amount of spouse coverage may be purchased in multiples of \$1,000 up to a maximum of \$100,000; however, the amount of spouse coverage cannot exceed the amount of optional coverage the member has purchased.	Actively employed in an eligible state position resulting in membership in MOSERS.

\*Terminating employees may convert coverage up to the amount they had as an active employee at individual rates.

RETIRED MEMBERS	REQUIREMENT
<b>Basic Life Insurance at Retirement</b> \$5,000 basic life insurance during retirement.	Must retire directly from active employment.
<b>Optional Life Insurance at Retirement</b> An employee may retain up to the lesser of \$60,000 or the amount of optional life insurance coverage held at time of retirement at the group rate and may convert any remaining basic and optional life insurance at individual rates.	Must retire directly from active employment.

# LONG-TERM DISABILITY (LTD) PLAN

As of June 30, 2001

*MOSERS administers the LTD Plan for eligible state employees who become disabled during active employment.*

PLAN	PROVISION
<p><b><u>General State Employees, Legislators, and Elected State Officials</u></b></p> <p>Members of MOSERS in a position normally requiring 1,000 hours of work a year are covered under the LTD Plan, unless they work for a state agency which has its own LTD plan.</p>	<p><b><i>Long-Term Disability</i></b> - Eligible participants receive 60% of their compensation minus primary social security, worker's compensation, and employer provided income. Benefits commence after 90 days of disability or after sick leave expires, whichever occurs last. LTD benefits cease upon the earliest of (i) when disability ends, (ii) when the member is first eligible for retirement benefits, (iii) when the member returns to work, or (iv) upon the member's death.</p> <p><b><i>Partial Disability</i></b> - A member may be considered partially disabled during the benefit waiting period and the 24 months following that period if the member is working in an occupation, but as a result of physical disease, injury, pregnancy, or mental disorder, is unable to earn more than 80% of pre-disability earnings. After the first 24 months, a member may be considered partially disabled if working in an occupation but unable to earn more than 60% of the member's pre-disability earnings. In both instances, work earnings are used to reduce the LTD benefit.</p>
<p><b><u>Water Patrol</u></b></p>	<p>Uniformed members who are eligible for statutory occupational disability receive benefits equal to 50% of compensation with no offset for social security at the time of disability. For nonoccupational disabilities, eligible participants receive the same benefit as general employees.</p>
<p><b><u>Judges</u></b></p>	<p>In addition to the disability benefits provided to general employees, judges also receive benefits under the state constitution. Participants receive 50% of salary until the current term expires.</p>

## CHANGES IN PLAN PROVISIONS

### MSEP and MSEP 2000

On July 13, 2001, Governor Bob Holden signed into law Senate Bill 371 (SB 371). Most of the provisions contained in SB 371 consisted of minor modifications to and clarifications of the MSEP and the MSEP 2000. Two of the more substantive changes contained in the legislation, however, create a BackDROP option for general state employees (effective January 1, 2002), and establish a mandatory defined contribution plan for new hires only of the regional colleges and universities (effective July 1, 2002).

A member may elect a BackDROP option at retirement that would allow for a benefit to be calculated as if the member had retired at a previous date. To be eligible to participate in the BackDROP, a member must have been eligible to retire under normal age and/or service conditions for at least two years. A retroactive starting date is established, which is the later of the member's normal retirement date or five years prior to the annuity starting date. This results in a BackDROP period of two to five years depending on the member's situation. A theoretical BackDROP account is accumulated that includes 90% of the value of the benefit payments that would have been paid during the BackDROP period. These payments include applicable post-retirement benefit increases, however, no interest is paid. The member is paid the resulting lump sum value of the BackDROP account as of the annuity starting date or as three equal annual installments beginning at the annuity starting date.

The new defined contribution plan for certain new hires of the regional colleges and universities will be administered by an outside service provider selected under the direction of the MOSERS' Board and will cover faculty and senior administrative personnel first employed after June 30, 2002. The legislation will also allow new hires who have participated in the defined contribution plan for at least six years to make a one-time election for membership in MOSERS, however, a member who makes such an election will receive no creditable service for service rendered while participating in the defined contribution plan and will forfeit any right to participate in the defined contribution plan in the future. The contribution rate for the defined contribution plan is equal to 1% less than the normal cost rate established for the general population of employees participating in MOSERS.

### Administrative Law Judges and Legal Advisors' Plan (ALJLAP)

SB 371 also contained a provision that will allow attorneys previously employed by the Labor and Industrial Relations Commission who terminated employment prior to August 28, 1994, to receive coverage in the ALJLAP, provided rights to benefits under Chapter 104 RSMo for that service are forfeited.

### Judicial Plan

SB 371 will also enable any judge who has creditable service under Chapter 104 and Chapter 476 RSMo as a commissioner or deputy commissioner to make a one-time election upon application for retirement to receive all benefits for that service under either Chapter 104 or Chapter 476 RSMo.

# ACTUARIAL PRESENT VALUES

June 30, 2001

## Missouri State Employees' Plan

Actuarial Present Value, June 30, 2001	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
<b>Active members</b>			
Service retirement benefits based on services rendered before and likely to be rendered after valuation date	\$ 3,557,693,598	\$ 750,916,948	\$ 2,806,776,650
Disability benefits likely to be paid to present active members who become totally and permanently disabled	98,231,695	43,624,338	54,607,357
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	139,544,260	42,140,703	97,403,557
Separation benefits likely to be paid to present active members	453,899,877	211,788,332	242,111,545
Active member totals	\$ 4,249,369,430	\$ 1,048,470,321	3,200,899,109
<b>Members on leave of absence &amp; LTD</b>			
Service retirement benefits based on service rendered before the valuation date			72,261,737
<b>Terminated-vested members</b>			
Service retirement benefits based on service rendered before the valuation date			295,728,370
<b>Retired lives</b>			2,496,277,500
Total actuarial accrued liability			6,065,166,716
Assets used in valuation			5,881,232,850
Unfunded actuarial accrued liability			\$ 183,933,866

# ACTUARIAL PRESENT VALUES

June 30, 2001

## Administrative Law Judges and Legal Advisors' Plan

Actuarial Present Value, June 30, 2001	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
<b>Active members</b>			
Service retirement benefits based on services rendered before and likely to be rendered after valuation date	\$ 11,652,351	\$ 4,855,516	\$ 6,796,835
Disability benefits likely to be paid to present active members who become totally and permanently disabled	237,711	156,027	81,684
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	524,518	341,822	182,696
Separation benefits likely to be paid to present active members	1,837,698	1,208,110	629,588
Active member totals	<u>\$ 14,252,278</u>	<u>\$ 6,561,475</u>	<u>7,690,803</u>
<b>Terminated-vested members</b>			
Service retirement benefits based on service rendered before the valuation date			1,584,791
<b>Retired lives</b>			7,534,368
Total actuarial accrued liability			16,809,962
Assets used in valuation			14,410,199
Unfunded actuarial accrued liability			\$ 2,399,763



# ACTUARIAL PRESENT VALUES

June 30, 2001

## Judicial Plan

Actuarial Present Value, June 30, 2001	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
<b>Active members</b>			
Service retirement benefits based on services rendered before and likely to be rendered after valuation date	\$ 141,189,707	\$ 51,888,773	\$ 89,300,934
Disability benefits likely to be paid to present active members who become totally and permanently disabled	1,848,821	1,405,861	442,960
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	6,001,351	3,468,820	2,532,531
Separation benefits likely to be paid to present active members			
Active member totals	<u>\$ 149,039,879</u>	<u>\$ 56,763,454</u>	<u>92,276,425</u>
<b>Members on leave of absence &amp; LTD</b>			
Service retirement benefits based on service rendered before the valuation date			237,490
<b>Terminated-vested members</b>			
Service retirement benefits based on service rendered before the valuation date			12,301,271
<b>Retired lives</b>			143,163,718
Total actuarial accrued liability			247,978,904
Assets used in valuation			22,613,050
Unfunded actuarial accrued liability			\$ 225,365,854

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...TO RETIRE?

## SUMMARY

### Plan Membership

Membership in the pension trusts administered by MOSERS increased 2,707. Active members increased 668, retired members and their beneficiaries increased 2,060, and terminated-vested members decreased by 21. Membership data for the last ten years ended June 30, 2001, can be found on page 119. Page 120 depicts the location of benefit recipients, showing that the majority remain in the state of Missouri after retirement.

### Net Assets vs. Liabilities

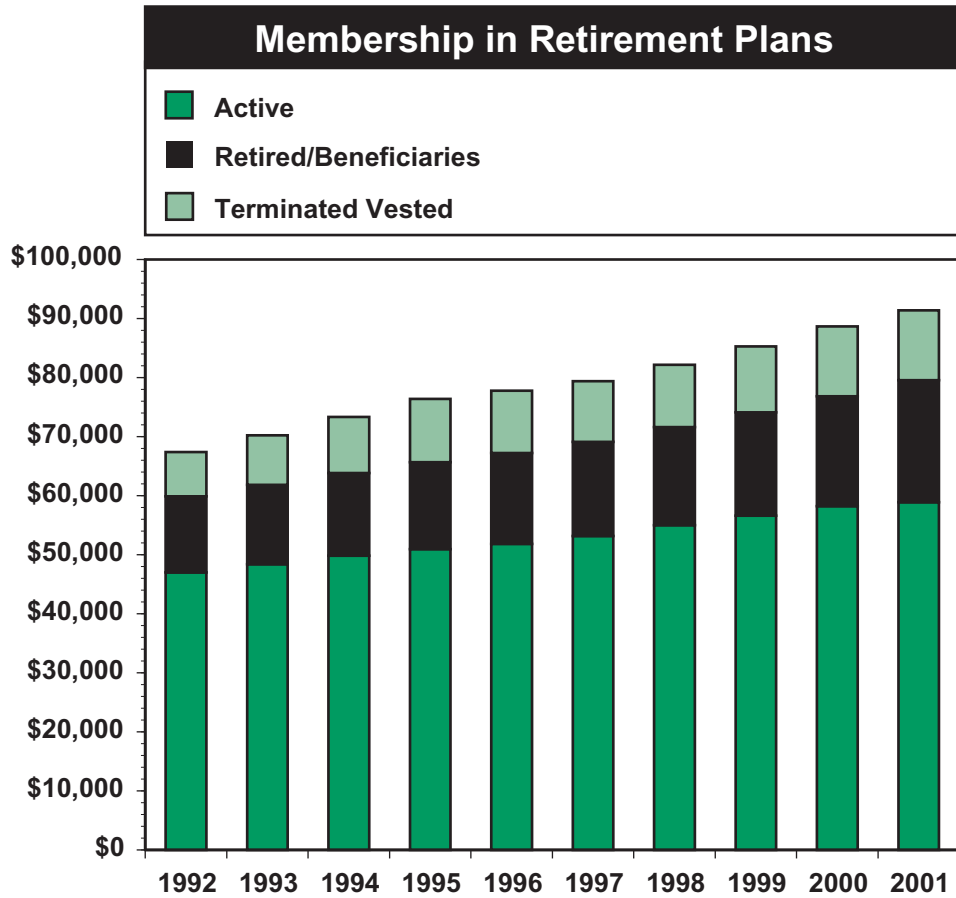
The charts on page 121 graphically represent the funding progress of the pension plans for the ten years ended June 30, 2001. The area chart on the top of the page shows the portion of the pension liabilities that are unfunded compared to the portion covered by assets in the trust funds. The chart on the bottom of the page illustrates the funded ratio of the plans for the ten years ended June 30, 2001.

The existence of the unfunded actuarial accrued liabilities is not necessarily an indication of financial problems, but the fluctuations are important and should be monitored and controlled.

The remainder of this section contains various statistical and historical data considered useful in evaluating the condition of the plans.

# MEMBERSHIP IN RETIREMENT PLANS

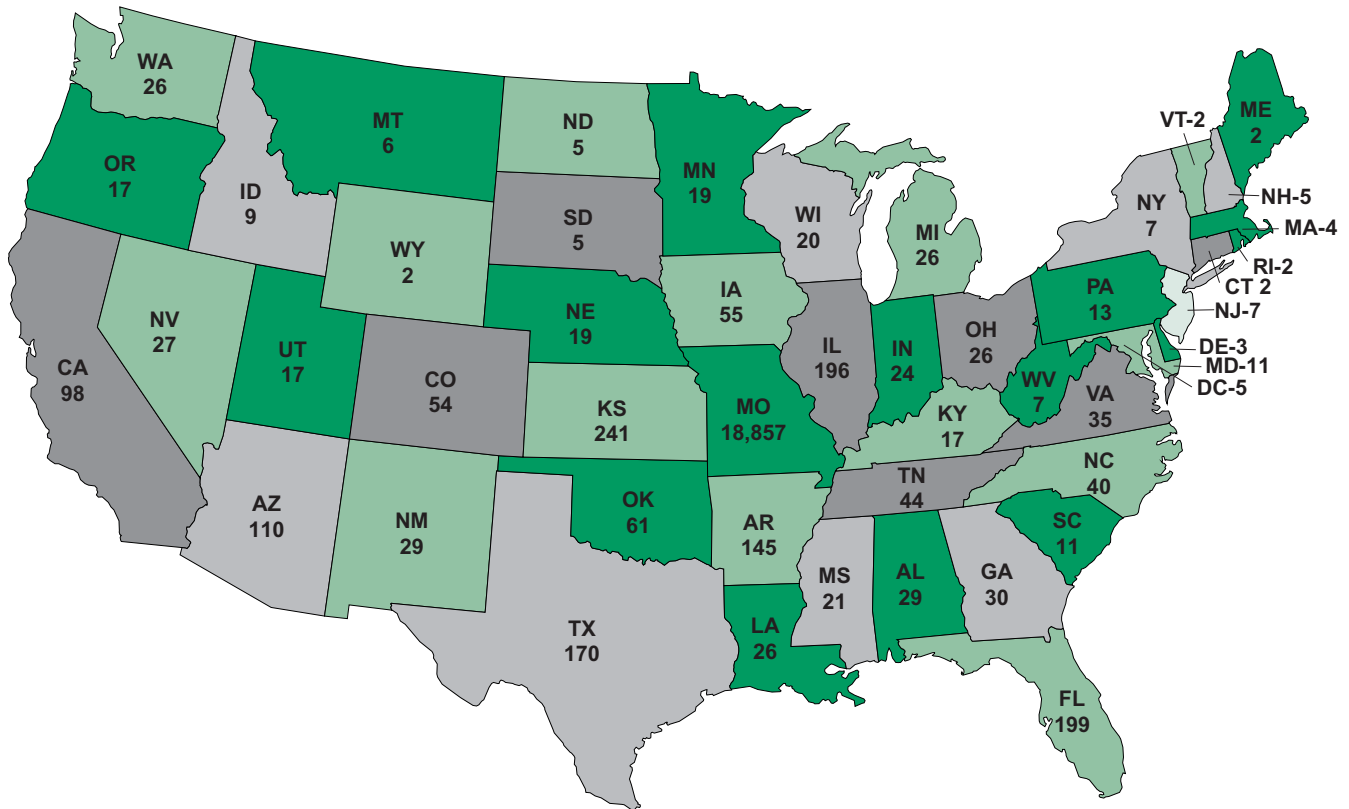
Last Ten Fiscal Years



Fiscal Year	Active	Retired/ Beneficiaries	Terminated- Vested	Totals
1992	46,999	12,876	7,484	67,359
1993	48,343	13,441	8,423	70,207
1994	49,826	13,988	9,499	73,313
1995	50,918	14,747	10,673	76,338
1996	51,837	15,362	10,548	77,747
1997	53,147	15,963	10,273	79,383
1998	54,951	16,616	10,561	82,128
1999	56,571	17,495	11,181	85,247
2000	58,201	18,582	11,858	88,641
2001	58,869	20,642	11,837	91,348

# DISTRIBUTION OF BENEFIT RECIPIENTS BY LOCATION

June 30, 2001

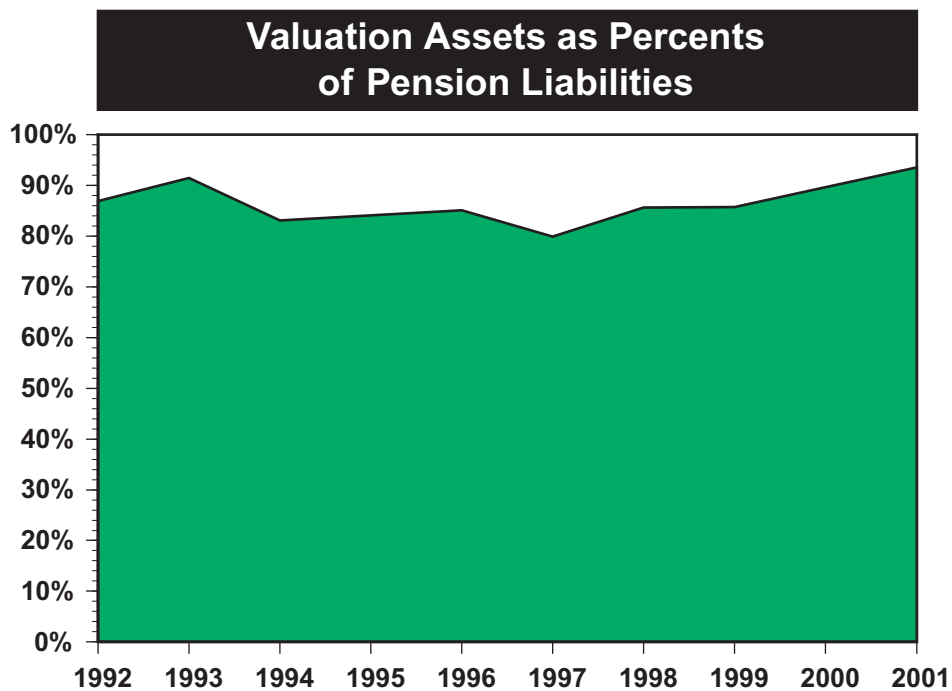
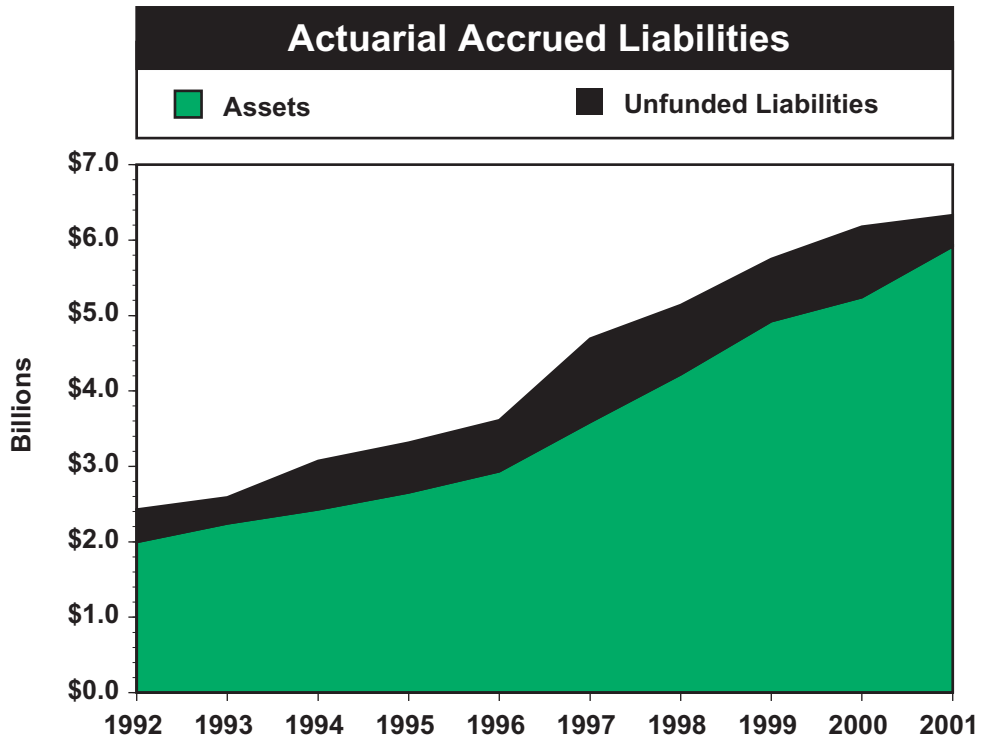


## Recipients outside the continental United States include:

- Alaska - 4
- Argentina - 1
- Columbia, South America - 1
- England - 1
- Germany - 1
- Hawaii - 3
- Ireland - 1
- Israel - 1
- Mexico - 2
- New Zealand - 1
- Puerto Rico - 2
- South Korea - 1
- Sweden - 1
- United Kingdom - 2

# Pension Trust Funds

Ten Years Ended June 30, 2001





# TEN-YEAR HISTORICAL DATA

## Pension Trust Funds

### *Missouri State Employees' Plan*

#### Additions by Source

Fiscal Year	Employer Contribution Rate	Employer Contributions as a Percent of Covered Payroll	Employer Contribution Amount	Employer Contributions Service Transfers	Member Payments for Purchasing Service Credit	Net Investment Income	Other	Total
1992	9.65%	9.77%	\$ 100,672,145	\$ 112,988	\$ 321,713	\$ 230,191,287	\$ 6,560	\$ 331,304,693
1993	9.68	9.69	102,988,219	117,466	547,961	293,481,441	6,047	397,141,134
1994	9.49	9.48	106,681,308	78,554	765,977	(15,865,184)	411,469	92,072,124
1995	9.04	9.08	108,902,372	170,081	753,984	393,915,517	0	503,741,954
1996	10.69	10.81	137,007,112	135,598	726,527	453,955,454	9,129	591,833,820
1997	10.66	10.77	146,383,371	2,238,691	640,590	653,958,265	235,279	803,456,196
1998	10.40	10.42	152,090,687	36,908	1,035,738	661,480,958	14,925	814,659,216
1999	12.58	12.65	197,909,834	147,315	1,151,328	504,026,290	659,215	703,893,982
2000	11.91	12.02	202,330,547	3,468,697	1,991,206	402,878,683	629,924	611,299,057
2001	11.59	12.27	215,750,128	167,640	1,918,572	(112,164,123)	418,663	106,090,880

### *Missouri State Employees' Plan*

#### Deductions by Type

Fiscal Year	Benefits	Contribution Refunds	Service Transfers	Administrative	Legal Settlements	Total
1992	\$ 67,850,658	\$ 12,508	\$ 0	\$ 2,333,634	\$ 0	\$ 70,196,800
1993	75,606,809	22,007	0	2,441,067	0	78,069,883
1994	84,482,785	1,598	16,252	3,336,941	0	87,837,576
1995	96,198,413	0	0	3,060,262	0	99,258,675
1996	115,627,764	0	30,327	3,221,578	23,148,000	142,027,669
1997	126,941,341	102	2,091,233	3,563,018	0	132,595,694
1998	149,261,681	1,514	0	4,500,944	18,998	153,783,137
1999	155,299,924	0	0	5,763,229	0	161,063,153
2000	179,690,822	889	18,609	5,487,531	0	185,197,851
2001	217,862,853	0	31,482	5,749,965	0	223,644,300

## TEN-YEAR HISTORICAL DATA

### Pension Trust Funds

#### *Administrative Law Judges and Legal Advisors' Plan*

Additions by Source

Fiscal Year	Employer Contribution Rate	Employer Contributions as a Percent of Covered Payroll	Employer Contribution Amount	Net Investment Income	Other	Total
1992	25.51%	29.00%	\$ 500,250	\$ 601,626	\$ 0	\$ 1,101,876
1993	27.77	28.42	548,707	766,887	16	1,315,610
1994	24.18	23.97	502,019	(45,152)	1,056	457,923
1995	22.50	23.00	498,233	986,426	0	1,484,659
1996	21.16	20.26	548,276	1,122,107	23	1,670,406
1997	22.60	22.78	652,709	1,614,183	34	2,266,926
1998	19.66	20.11	564,295	1,613,972	36	2,178,303
1999	18.70	18.32	639,285	1,205,813	1,577	1,846,675
2000	20.10	19.81	807,022	961,336	1,503	1,769,861
2001	22.32	14.03	1,074,946	(273,380)	1,020	802,586

#### *Administrative Law Judges and Legal Advisors' Plan*

Deductions by Type

Fiscal Year	Benefits	Administrative	Legal Settlements	Total
1992	\$ 399,463	\$ 6,085	\$ 0	\$ 405,548
1993	502,310	6,401	0	508,711
1994	565,082	8,566	0	573,648
1995	600,650	7,663	0	608,313
1996	633,527	7,963	0	641,490
1997	616,859	8,795	0	625,654
1998	677,213	10,981	46	688,240
1999	747,663	13,788	0	761,451
2000	755,574	13,094	0	768,668
2001	776,422	14,015	0	790,437

# TEN-YEAR HISTORICAL DATA

## Pension Trust Funds

### ***Judicial Plan***

Additions by Source

<b>Fiscal Year</b>	<b>Employer Contribution Rate</b>	<b>Employer Contributions as a Percent of Covered Payroll</b>	<b>Employer Contribution Amount</b>	<b>Net Investment Income</b>	<b>Other</b>	<b>Total</b>
1992	Nonfunded	27.78%	\$ 7,335,579	\$ 0	\$ 0	\$ 7,335,579
1993	Nonfunded	29.01	7,728,160	0	0	7,728,160
1994	Nonfunded	30.38	8,205,509	0	0	8,205,509
1995	Nonfunded	32.84	9,188,599	0	0	9,188,599
1996	Nonfunded	33.13	9,907,505	0	0	9,907,505
1997	Nonfunded	33.00	10,450,270	0	0	10,450,270
1998	Nonfunded	35.24	11,433,457	0	0	11,433,457
1999	51.81%	52.29	17,862,353	452,499	592	18,315,444
2000	53.92	53.87	19,988,676	869,566	1,360	20,859,602
2001	55.30	58.09	22,473,913	(391,124)	1,460	22,084,249

### ***Judicial Plan***

Deductions by Type

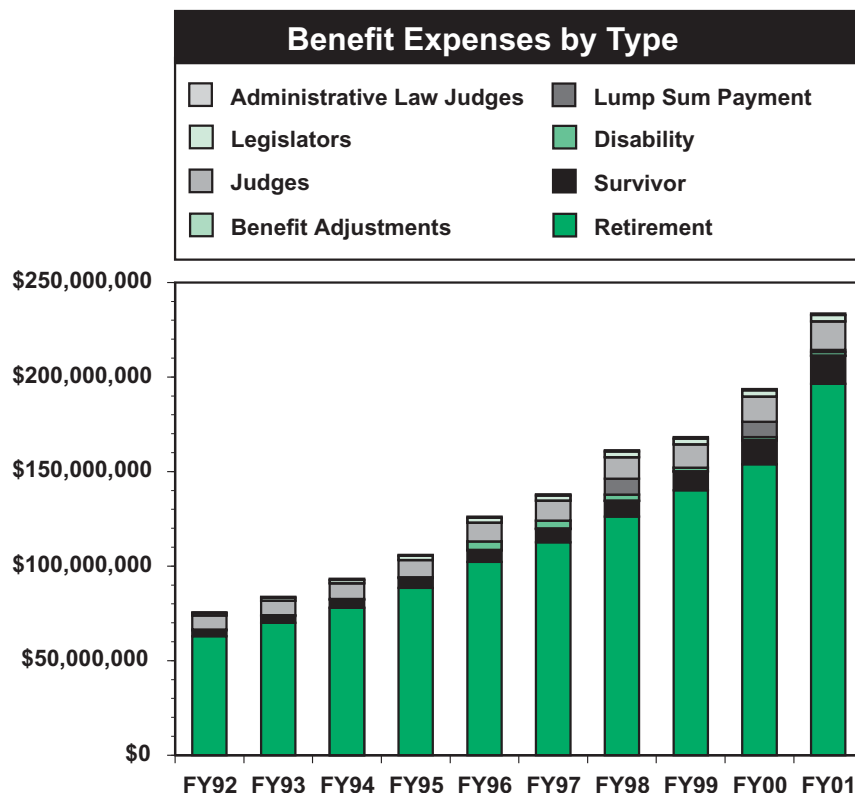
<b>Fiscal Year</b>	<b>Benefits</b>	<b>Administrative</b>	<b>Total</b>
1992	\$ 7,335,579	\$ 0	\$ 7,335,579
1993	7,728,160	0	7,728,160
1994	8,205,509	0	8,205,509
1995	9,188,599	0	9,188,599
1996	9,907,505	0	9,907,505
1997	10,450,270	0	10,450,270
1998	11,433,457	0	11,433,457
1999	12,229,325	5,174	12,234,499
2000	13,292,188	11,844	13,304,032
2001	15,010,098	20,051	15,030,149

## BENEFIT EXPENSES BY TYPE

Last Ten Fiscal Years

	FY92	FY93	FY94	FY95	FY96
Retirement	\$62,868,259	\$70,002,701	\$78,018,158	\$ 88,532,996	\$102,257,950
Survivor	3,081,500	3,533,845	4,202,875	5,146,981	6,001,028
Disability	566,322	484,806	436,022	379,382	347,589
Lump sum payment	0	0	0	0	4,494,184
Benefit adjustments	0	0	0	0	0
Judges	7,335,579	7,728,160	8,205,509	9,188,599	9,907,505
Legislators	1,334,577	1,585,456	1,825,730	2,139,053	2,527,014
Administrative law judges	399,463	502,310	565,082	600,650	633,527
Totals	\$75,585,700	\$83,837,278	\$93,253,376	\$105,987,661	\$126,168,797

	FY97	FY98	FY99	FY00	FY01
Retirement	\$112,523,766	\$126,121,327	\$140,138,342	\$153,916,226	\$196,343,161
Survivor	7,036,816	8,233,831	9,812,877	12,551,644	14,845,353
Disability	310,693	279,208	245,284	219,550	178,336
Lump sum payment	4,258,380	3,130,459	1,871,798	1,522,313	1,886,958
Benefit adjustments	0	8,453,580	39,768	8,162,749	1,134,262
Judges	10,450,270	11,433,457	12,229,325	13,292,188	15,010,098
Legislators	2,811,686	3,043,276	3,191,855	3,318,342	3,474,782
Administrative law judges	616,859	677,213	747,663	755,574	776,422
Totals	\$138,008,470	\$161,372,351	\$168,276,912	\$193,738,585	\$233,649,372



# BENEFITS PAYABLE JUNE 30, 2001

Tabulated by Option and Type of Benefit

## Missouri State Employees' Plan

Type of Benefit	Number	Annual Benefits	Average Annual Benefits
<b>Service retirement</b>			
Life annuity	4,709	\$ 39,318,598	\$ 8,350
50% joint and survivor	11	116,286	10,571
75% joint and survivor	2,020	28,674,329	14,195
100% joint and survivor	4,783	56,728,518	11,860
5-year certain and life	124	983,972	7,935
10-year certain and life	94	753,320	8,014
Survivor beneficiary	1,312	9,069,187	6,912
Total	13,053	135,644,210	10,392
<b>Disability retirement</b>	39	156,702	4,018
<b>Death-in-service</b>	1,047	6,609,293	6,313
Grand totals	14,139	\$ 142,410,205	\$ 10,072

## Missouri State Employees' Plan 2000

Type of Benefit	Number	Annual Benefits	Average Annual Benefits
<b>Service retirement</b>			
Life annuity	4,741	\$ 59,291,228	\$ 12,506
50% joint and survivor	54	643,464	11,916
75% joint and survivor	520	9,465,159	18,202
100% joint and survivor	603	13,660,070	22,654
5-year certain and life	57	704,435	12,359
10-year certain and life	101	975,268	9,656
Survivor beneficiary	22	242,845	11,038
Total	6,098	84,982,469	13,936
<b>Disability retirement</b>	0	0	0
<b>Death-in-service</b>	0	0	0
Grand totals	6,098	\$ 84,982,469	\$ 13,936

## BENEFITS PAYABLE JUNE 30, 2001

Tabulated by Option and Type of Benefit

### *Administrative Law Judges and Legal Advisors' Plan*

Type of Benefit	Number	Annual Benefits	Average Annual Benefits
<b><i>Service retirement</i></b>			
Life annuity	1	\$ 44,796	\$ 44,796
50% joint and survivor	15	594,762	39,651
Survivor beneficiary	8	152,124	19,016
Total	24	\$ 791,682	\$ 32,987

## BENEFITS PAYABLE JUNE 30, 2001

Tabulated by Option and Type of Benefit

### *Judicial Plan*

Type of Benefit	Number	Annual Benefits	Average Annual Benefits
<b><i>Service retirement</i></b>			
Life annuity	7	\$ 353,232	\$ 50,462
50% joint and survivor	248	12,968,613	52,293
Survivor beneficiary	81	1,473,567	18,192
Total	336	14,795,412	44,034
<b><i>Death-in-service</i></b>	45	898,472	19,966
Grand totals	381	\$ 15,693,884	41,191



# AVERAGE MONTHLY BENEFIT AMOUNTS

Six Years Ended June 30, 2001

## Missouri State Employees' Plan

Members Retiring During		Years Credited Service by Category							All Members
		<5	5-10	10-15	15-20	20-25	25-30	30+	
1996	Average monthly benefit	\$ 107	\$ 204	\$ 308	\$ 502	\$ 792	\$ 1,212	\$ 1,553	\$ 836
	Average final salary	\$ 1,540	\$ 1,716	\$ 1,780	\$ 1,813	\$ 2,177	\$ 2,516	\$ 2,707	\$ 2,175
	Number of retirees	6	113	141	162	168	199	191	980
1997	Average monthly benefit	\$ 121	\$ 272	\$ 301	\$ 558	\$ 806	\$ 1,233	\$ 1,692	\$ 894
	Average final salary	\$ 1,943	\$ 1,984	\$ 1,638	\$ 1,950	\$ 2,163	\$ 2,586	\$ 2,948	\$ 2,270
	Number of retirees	5	105	166	163	160	202	210	1,011
1998	Average monthly benefit	\$ 137	\$ 239	\$ 360	\$ 557	\$ 832	\$ 1,233	\$ 1,652	\$ 891
	Average final salary	\$ 1,919	\$ 1,907	\$ 1,978	\$ 1,993	\$ 2,274	\$ 2,630	\$ 2,910	\$ 2,340
	Number of retirees	9	133	187	184	183	199	259	1,154
1999	Average monthly benefit	\$ 113	\$ 236	\$ 371	\$ 613	\$ 855	\$ 1,205	\$ 1,841	\$ 957
	Average final salary	\$ 1,599	\$ 2,010	\$ 2,049	\$ 2,269	\$ 2,363	\$ 2,615	\$ 3,264	\$ 2,505
	Number of retirees	5	123	199	198	193	247	267	1,232
2000	Average monthly benefit	\$ 161	\$ 236	\$ 362	\$ 641	\$ 815	\$ 1,305	\$ 1,842	\$ 993
	Average final salary	\$ 2,478	\$ 1,970	\$ 2,002	\$ 2,314	\$ 2,276	\$ 2,871	\$ 3,262	\$ 2,558
	Number of retirees	8	131	207	183	202	262	301	1,294
2001	Average monthly benefit	\$ 206	\$ 239	\$ 416	\$ 668	\$ 936	\$ 1,326	\$ 1,683	\$ 1,032
	Average final salary	\$ 2,257	\$ 2,055	\$ 2,105	\$ 2,423	\$ 2,500	\$ 2,897	\$ 3,053	\$ 2,615
	Number of retirees	13	394	354	227	274	504	772	2,538
Six years ended June 30, 2001									
	Average monthly benefit	\$ 152	\$ 238	\$ 364	\$ 596	\$ 848	\$ 1,267	\$ 1,712	\$ 955
	Average final salary	\$ 2,030	\$ 1,973	\$ 1,962	\$ 2,150	\$ 2,312	\$ 2,731	\$ 3,050	\$ 2,456
	Number of retirees	46	999	1,254	1,117	1,180	1,613	2,000	8,209

Note: COLA increases and temporary benefits payable under the MSEP 2000 until age 62 are excluded from the above for comparison purposes.

# AVERAGE MONTHLY BENEFIT AMOUNTS

Six Years Ended June 30, 2001

## General Employees in the MSEP

Members Retiring During		Years Credited Service by Category							All Members
		<5	5-10	10-15	15-20	20-25	25-30	30+	
1996	Average monthly benefit	\$ 107	\$ 181	\$ 297	\$ 492	\$ 792	\$ 1,203	\$ 1,545	\$ 829
	Average final salary	\$ 1,540	\$ 1,687	\$ 1,768	\$ 1,808	\$ 2,177	\$ 2,514	\$ 2,710	\$ 2,171
	Number of retirees	6	108	139	161	168	197	189	968
1997	Average monthly benefit	\$ 121	\$ 238	\$ 282	\$ 514	\$ 783	\$ 1,224	\$ 1,680	\$ 878
	Average final salary	\$ 1,943	\$ 1,960	\$ 1,620	\$ 1,899	\$ 2,157	\$ 2,584	\$ 2,949	\$ 2,259
	Number of retirees	5	98	163	159	157	200	208	990
1998	Average monthly benefit	\$ 137	\$ 213	\$ 350	\$ 542	\$ 832	\$ 1,230	\$ 1,648	\$ 887
	Average final salary	\$ 1,919	\$ 1,874	\$ 1,982	\$ 1,986	\$ 2,274	\$ 2,628	\$ 2,912	\$ 2,339
	Number of retirees	9	127	184	182	183	198	258	1,141
1999	Average monthly benefit	\$ 113	\$ 225	\$ 345	\$ 602	\$ 855	\$ 1,194	\$ 1,833	\$ 948
	Average final salary	\$ 1,599	\$ 1,997	\$ 2,014	\$ 2,266	\$ 2,363	\$ 2,615	\$ 3,265	\$ 2,499
	Number of retirees	5	120	196	196	193	245	265	1,220
2000	Average monthly benefit	\$ 161	\$ 223	\$ 356	\$ 629	\$ 815	\$ 1,305	\$ 1,835	\$ 990
	Average final salary	\$ 2,478	\$ 1,961	\$ 1,999	\$ 2,301	\$ 2,276	\$ 2,871	\$ 3,262	\$ 2,556
	Number of retirees	8	127	206	181	202	262	299	1,285
2001	Average monthly benefit	\$ 101	\$ 228	\$ 381	\$ 632	\$ 936	\$ 1,320	\$ 1,681	\$ 1,024
	Average final salary	\$ 1,612	\$ 2,034	\$ 2,045	\$ 2,386	\$ 2,500	\$ 2,898	\$ 3,051	\$ 2,599
	Number of retirees	12	389	348	222	274	501	771	2,517
Six years ended June 30, 2001									
	Average monthly benefit	\$ 123	\$ 221	\$ 344	\$ 574	\$ 845	\$ 1,261	\$ 1,707	\$ 947
	Average final salary	\$ 1,853	\$ 1,953	\$ 1,936	\$ 2,130	\$ 2,312	\$ 2,731	\$ 3,050	\$ 2,448
	Number of retirees	45	969	1,236	1,101	1,177	1,603	1,990	8,121

Note: COLA increases and temporary benefits payable under the MSEP 2000 until age 62 are excluded from the above for comparison purposes.

# AVERAGE MONTHLY BENEFIT AMOUNTS

Six Years Ended June 30, 2001

## Uniformed Members of the Water Patrol in the MSEP

Members Retiring During		Years Credited Service by Category							All Members
		<5	5-10	10-15	15-20	20-25	25-30	30+	
1996	Average monthly benefit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,638	\$ 1,733	\$ 1,686
	Average final salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,843	\$ 2,620	\$ 2,732
	Number of retirees	0	0	0	0	0	1	1	2
1997	Average monthly benefit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,976	\$ 2,168	\$ 2,072
	Average final salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,327	\$ 3,088	\$ 3,208
	Number of retirees	0	0	0	0	0	1	1	2
1998	Average monthly benefit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,782	\$ 0	\$ 1,782
	Average final salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,001	\$ 0	\$ 3,001
	Number of retirees	0	0	0	0	0	1	0	1
1999	Average monthly benefit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,567	\$ 2,567
	Average final salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,767	\$ 3,767
	Number of retirees	0	0	0	0	0	0	1	1
2000	Average monthly benefit	\$ 0	\$ 0	\$ 0	\$ 1,749	\$ 0	\$ 0	\$ 3,297	\$ 2,523
	Average final salary	\$ 0	\$ 0	\$ 0	\$ 4,432	\$ 0	\$ 0	\$ 4,014	\$ 4,223
	Number of retirees	0	0	0	1	0	0	1	2
2001	Average monthly benefit	\$ 0	\$ 0	\$ 1,664	\$ 0	\$ 0	\$ 1,923	\$ 3,236	\$ 2,274
	Average final salary	\$ 0	\$ 0	\$ 5,833	\$ 0	\$ 0	\$ 3,172	\$ 4,274	\$ 4,426
	Number of retirees	0	0	1	0	0	1	1	3
Six Years Ended June 30, 2001									
	Average monthly benefit	\$ 0	\$ 0	\$ 1,664	\$ 1,749	\$ 0	\$ 1,830	\$ 2,600	\$ 2,158
	Average final salary	\$ 0	\$ 0	\$ 5,833	\$ 4,432	\$ 0	\$ 3,086	\$ 3,553	\$ 3,670
	Number of retirees	0	0	1	1	0	4	5	11

Note: COLA increases and temporary benefits payable under the MSEP 2000 until age 62 are excluded from the above for comparison purposes.

# AVERAGE MONTHLY BENEFIT AMOUNTS

Six Years Ended June 30, 2001

## Legislators in the MSEP

Members Retiring During		Years Credited Service by Category							All Members
		<5	5-10	10-15	15-20	20-25	25-30	30+	
1996	Average monthly benefit	\$ 0	\$ 693	\$ 1,050	\$ 2,170	\$ 0	\$ 2,530	\$ 2,850	\$ 1,312
	Average final salary	\$ 0	\$ 2,333	\$ 2,640	\$ 2,604	\$ 0	\$ 2,604	\$ 2,315	\$ 2,447
	Number of retirees	0	5	2	1	0	1	1	10
1997	Average monthly benefit	\$ 0	\$ 743	\$ 1,340	\$ 1,882	\$ 2,012	\$ 2,250	\$ 3,689	\$ 1,491
	Average final salary	\$ 0	\$ 2,317	\$ 2,604	\$ 2,604	\$ 2,481	\$ 2,234	\$ 2,604	\$ 2,451
	Number of retirees	0	7	3	3	3	1	1	18
1998	Average monthly benefit	\$ 0	\$ 791	\$ 1,004	\$ 1,953	\$ 0	\$ 0	\$ 2,700	\$ 1,197
	Average final salary	\$ 0	\$ 2,604	\$ 1,736	\$ 2,604	\$ 0	\$ 0	\$ 2,298	\$ 2,362
	Number of retirees	0	6	3	2	0	0	1	12
1999	Average monthly benefit	\$ 0	\$ 684	\$ 1,101	\$ 1,649	\$ 0	\$ 2,587	\$ 3,150	\$ 1,588
	Average final salary	\$ 0	\$ 2,544	\$ 2,513	\$ 2,604	\$ 0	\$ 2,604	\$ 2,423	\$ 2,550
	Number of retirees	0	3	2	2	0	2	1	10
2000	Average monthly benefit	\$ 0	\$ 654	\$ 1,519	\$ 1,736	\$ 0	\$ 0	\$ 2,400	\$ 1,182
	Average final salary	\$ 0	\$ 2,265	\$ 2,604	\$ 2,604	\$ 0	\$ 0	\$ 2,423	\$ 2,384
	Number of retirees	0	4	1	1	0	0	1	7
2001	Average monthly benefit	\$ 0	\$ 768	\$ 1,201	\$ 1,603	\$ 0	\$ 2,469	\$ 0	\$ 1,387
	Average final salary	\$ 0	\$ 2,613	\$ 2,613	\$ 2,608	\$ 0	\$ 2,604	\$ 0	\$ 2,610
	Number of retirees	0	4	3	4	0	2	0	13
Six years ended June 30, 2001									
	Average monthly benefit	\$ 0	\$ 729	\$ 1,176	\$ 1,782	\$ 2,012	\$ 2,482	\$ 2,958	\$ 1,378
	Average final salary	\$ 0	\$ 2,436	\$ 2,412	\$ 2,605	\$ 2,481	\$ 2,542	\$ 2,413	\$ 2,472
	Number of retirees	0	29	14	13	3	6	5	70

Note: COLA increases are excluded from the above for comparison purposes.

# AVERAGE MONTHLY BENEFIT AMOUNTS

Six Years Ended June 30, 2001

## Elected State Officials in the MSEP

Members Retiring During		Years Credited Service by Category							All Members
		<5	5-10	10-15	15-20	20-25	25-30	30+	
1996	Average monthly benefit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Average final salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Number of retirees	0	0	0	0	0	0	0	0
1997	Average monthly benefit	\$ 0	\$ 0	\$ 0	\$ 3,649	\$ 0	\$ 0	\$ 0	\$ 3,649
	Average final salary	\$ 0	\$ 0	\$ 0	\$ 8,029	\$ 0	\$ 0	\$ 0	\$ 8,029
	Number of retirees	0	0	0	1	0	0	0	1
1998	Average monthly benefit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Average final salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Number of retirees	0	0	0	0	0	0	0	0
1999	Average monthly benefit	\$ 0	\$ 0	\$ 4,015	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,015
	Average final salary	\$ 0	\$ 0	\$ 8,029	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,029
	Number of retirees	0	0	1	0	0	0	0	1
2000	Average monthly benefit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Average final salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2001	Average monthly benefit	\$ 1,465	\$ 2,580	\$ 4,705	\$ 4,999	\$ 0	\$ 0	\$ 0	\$ 3,691
	Average final salary	\$ 9,999	\$ 8,029	\$ 10,003	\$ 9,999	\$ 0	\$ 0	\$ 0	\$ 9,607
	Number of retirees	1	1	2	1	0	0	0	5
Six years ended June 30, 2001									
	Average monthly benefit	\$ 1,465	\$ 2,580	\$ 4,475	\$ 4,324	\$ 0	\$ 0	\$ 0	\$ 3,731
	Average final salary	\$ 9,999	\$ 8,029	\$ 9,345	\$ 9,014	\$ 0	\$ 0	\$ 0	\$ 9,156
	Number of retirees	1	1	3	2	0	0	0	7

Note: COLA increases are excluded from the above for comparison purposes.

# AVERAGE MONTHLY BENEFIT AMOUNTS

Six Years Ended June 30, 2001

## Administrative Law Judges and Legal Advisors' Plan

Members Retiring During		Years Credited Service by Category							All Members
		<5	5-10	10-15	15-20	20-25	25-30	30+	
1996	Average monthly benefit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Average final salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Number of retirees	0	0	0	0	0	0	0	0
1997	Average monthly benefit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,578	\$ 0	\$ 0	\$ 2,578
	Average final salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,156	\$ 0	\$ 0	\$ 5,156
	Number of retirees	0	0	0	0	1	0	0	1
1998	Average monthly benefit	\$ 0	\$ 0	\$ 2,927	\$ 0	\$ 2,875	\$ 0	\$ 0	\$ 2,892
	Average final salary	\$ 0	\$ 0	\$ 5,854	\$ 0	\$ 5,749	\$ 0	\$ 0	\$ 5,784
	Number of retirees	0	0	1	0	2	0	0	3
1999	Average monthly benefit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Average final salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2000	Average monthly benefit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Average final salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2001	Average monthly benefit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,982	\$ 0	\$ 0	\$ 0
	Average final salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,965	\$ 0	\$ 0	\$ 0
	Number of retirees	0	0	0	0	1	0	0	1
Six years ended June 30, 2001									
	Average monthly benefit	\$ 0	\$ 0	\$ 2,927	\$ 0	\$ 2,827	\$ 0	\$ 0	\$ 2,847
	Average final salary	\$ 0	\$ 0	\$ 5,854	\$ 0	\$ 5,655	\$ 0	\$ 0	\$ 5,695
	Number of retirees	0	0	1	0	4	0	0	5

Note: COLA increases are excluded from the above for comparison purposes.

# AVERAGE MONTHLY BENEFIT AMOUNTS

Six Years Ended June 30, 2001

## Judicial Plan

Members Retiring During		Years Credited Service by Category							All Members
		<5	5-10	10-15	15-20	20-25	25-30	30+	
1996	Average monthly benefit	\$ 0	\$ 0	\$ 3,006	\$ 3,496	\$ 3,881	\$ 0	\$ 0	\$ 3,360
	Average final salary	\$ 0	\$ 0	\$ 6,176	\$ 6,992	\$ 7,762	\$ 0	\$ 0	\$ 6,782
	Number of retirees	0	0	3	4	1	0	0	8
1997	Average monthly benefit	\$ 1,120	\$ 0	\$ 0	\$ 3,490	\$ 0	\$ 0	\$ 3,359	\$ 2,990
	Average final salary	\$ 6,719	\$ 0	\$ 0	\$ 6,979	\$ 0	\$ 0	\$ 6,719	\$ 6,875
	Number of retirees	1	0	0	3	0	0	1	5
1998	Average monthly benefit	\$ 243	\$ 1,567	\$ 3,689	\$ 3,484	\$ 3,624	\$ 3,999	\$ 3,921	\$ 3,420
	Average final salary	\$ 5,824	\$ 5,129	\$ 7,378	\$ 6,969	\$ 7,247	\$ 7,999	\$ 7,843	\$ 7,208
	Number of retirees	1	1	2	4	7	4	1	20
1999	Average monthly benefit	\$ 289	\$ 2,099	\$ 3,647	\$ 3,759	\$ 3,635	\$ 4,450	\$ 4,123	\$ 3,247
	Average final salary	\$ 6,598	\$ 7,108	\$ 7,409	\$ 7,517	\$ 7,270	\$ 8,900	\$ 8,246	\$ 7,432
	Number of retirees	2	3	7	8	1	1	1	23
2000	Average monthly benefit	\$ 0	\$ 1,282	\$ 3,368	\$ 4,116	\$ 3,991	\$ 4,139	\$ 4,375	\$ 3,763
	Average final salary	\$ 0	\$ 5,129	\$ 6,735	\$ 8,232	\$ 7,982	\$ 8,278	\$ 8,750	\$ 7,677
	Number of retirees	0	1	4	4	4	3	1	17
2001	Average monthly benefit	\$ 0	\$ 1,711	\$ 4,216	\$ 3,849	\$ 4,500	\$ 4,573	\$ 4,250	\$ 4,197
	Average final salary	\$ 0	\$ 8,000	\$ 8,519	\$ 7,698	\$ 9,000	\$ 9,146	\$ 8,500	\$ 8,632
	Number of retirees	0	1	5	3	6	4	2	21
Six years ended June 30, 2001									
	Average monthly benefit	\$ 485	\$ 1,810	\$ 3,642	\$ 3,710	\$ 3,992	\$ 4,263	\$ 4,046	\$ 3,585
	Average final salary	\$ 6,434	\$ 6,597	\$ 7,366	\$ 7,421	\$ 7,984	\$ 8,526	\$ 8,093	\$ 7,612
	Number of retirees	4	6	21	26	19	12	6	94

Note: COLA increases are excluded from the above for comparison purposes.



# RETIREES AND BENEFICIARIES AS OF JUNE 30, 2001

Tabulated by Year of Retirement

## Missouri State Employees' Plan

Fiscal Year of Retirement	Number	Total Annual Benefits	Average Monthly Benefit
1965 & prior	4	\$ 23,336	\$ 486
1966	4	22,887	477
1967	7	52,314	623
1968	9	37,401	346
1969	14	77,430	461
1970	20	154,033	642
1971	26	139,333	447
1972	34	227,741	558
1973	87	536,431	514
1974	95	533,265	468
1975	132	812,046	513
1976	153	983,249	536
1977	202	1,277,083	527
1978	168	1,015,829	504
1979	181	1,276,891	588
1980	217	1,511,977	581
1981	254	1,930,232	633
1982	377	2,831,691	626
1983	391	3,158,856	673
1984	398	2,865,539	600
1985	402	3,328,085	690
1986	485	3,500,678	601
1987	558	4,673,210	698
1988	630	6,214,164	822
1989	663	7,167,177	901
1990	652	7,039,763	900
1991	763	9,037,513	987
1992	853	9,541,752	932
1993	957	10,522,487	916
1994	954	10,004,547	874
1995	1,188	13,558,365	951
1996	1,155	13,170,265	950
1997	1,177	14,216,005	1,007
1998	1,350	16,161,178	998
1999	1,469	18,081,031	1,026
2000	1,528	20,537,920	1,120
2001	2,680	41,170,971	1,280
	20,237	\$ 227,392,675	\$ 936

# RETIREEES AND BENEFICIARIES AS OF JUNE 30, 2001

Tabulated by Year of Retirement

## *Administrative Law Judges and Legal Advisors' Plan*

<b>Fiscal Year of Retirement</b>	<b>Number</b>	<b>Total Annual Benefits</b>	<b>Average Monthly Benefit</b>
1989 & prior	4	\$ 161,054	\$ 3,355
1990	3	100,488	2,791
1991	0	0	0
1992	3	108,776	3,022
1993	1	39,647	3,304
1994	1	20,274	1,690
1995	2	62,624	2,609
1996	0	0	0
1997	4	103,011	2,146
1998	3	117,113	3,253
1999	0	0	0
2000	1	22,295	1,858
2001	2	56,400	2,350
	24	\$ 791,682	\$ 2,749

# RETIREES AND BENEFICIARIES AS OF JUNE 30, 2001

Tabulated by Year of Retirement

## *Judicial*

Fiscal Year of Retirement	Number	Total Annual Benefits	Average Monthly Benefit
1976 & prior	6	\$ 95,291	\$ 1,323
1977	4	75,424	1,571
1978	1	10,856	905
1979	5	134,921	2,249
1980	7	157,508	1,875
1981	9	354,042	3,278
1982	6	246,092	3,418
1983	11	309,768	2,347
1984	4	73,205	1,525
1985	5	210,684	3,511
1986	9	253,807	2,350
1987	28	1,044,695	3,109
1988	14	595,073	3,542
1989	18	753,521	3,489
1990	12	446,693	3,102
1991	28	1,286,071	3,828
1992	17	753,074	3,692
1993	16	629,097	3,277
1994	15	573,344	3,185
1995	31	1,596,315	4,291
1996	13	549,751	3,524
1997	10	358,983	2,992
1998	27	1,291,806	3,987
1999	30	1,243,584	3,454
2000	30	1,299,984	3,611
2001	25	1,350,295	4,501
	381	\$ 15,693,884	\$ 3,433

# TOTAL BENEFITS PAYABLE JUNE 30, 2001

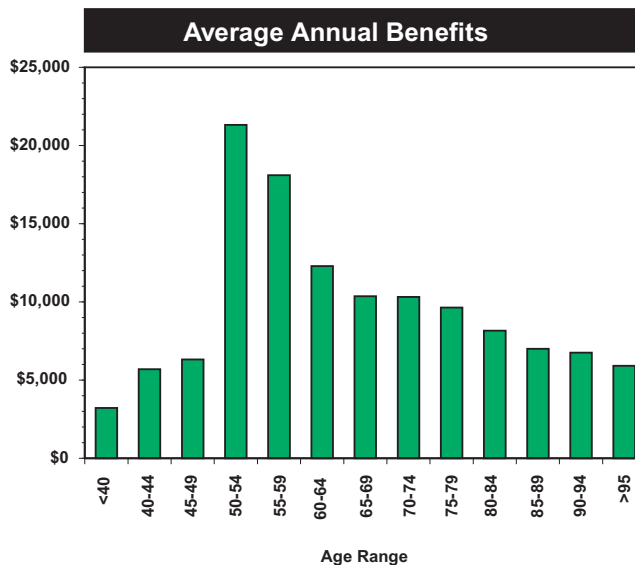
Tabulated by Attained Ages of Benefit Recipients

## Missouri State Employees' Plan

Attained Age	Service Retirement		Disability Retirement		Survivors and Beneficiaries		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
Under 20					71	\$ 149,473	71	\$ 149,473
20-24					10	52,994	10	52,994
25-29					3	12,132	3	12,132
30-34					14	63,084	14	63,084
35-39					22	107,703	22	107,703
40-44			1	\$ 1,680	45	260,140	46	261,820
45-49			4	11,304	105	677,508	109	688,812
50-54	772	\$ 18,972,979	9	41,578	172	1,296,801	953	20,311,358
55-59	1,599	30,943,166	11	39,025	192	1,628,600	1,802	32,610,791
60-64	2,894	36,769,208	14	63,115	274	2,267,501	3,182	39,099,824
65-69	3,812	40,616,374			365	2,679,301	4,177	43,295,675
70-74	3,268	35,236,848			376	2,343,733	3,644	37,580,581
75-79	2,553	25,711,071			356	2,334,353	2,909	28,045,424
80-84	1,691	14,388,406			224	1,243,521	1,915	15,631,927
85-89	835	6,040,532			112	582,765	947	6,623,297
90-94	320	2,174,740			31	198,466	351	2,373,206
95	14	96,259			3	12,552	17	108,811
96	23	124,070			2	4,446	25	128,516
97	14	100,103			1	648	15	100,751
98	9	66,288			1	912	10	67,200
99	7	39,037					7	39,037
100	4	28,043			1	1,284	5	29,327
101	2	7,524					2	7,524
102								
103								
104								
105								
106								
107								
108								
109					1	3,408	1	3,408
Totals	17,817	\$211,314,648	39	\$156,702	2,381	\$15,921,325	20,237	\$227,392,675

Average Age at Retirement 61.5 years

Average Age Now 69.9 years



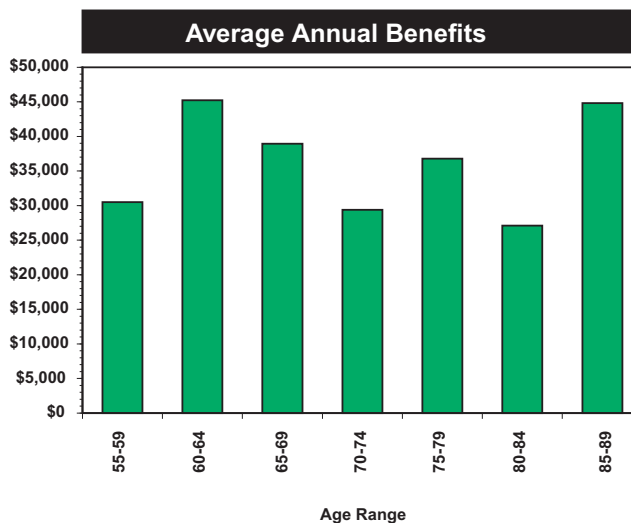
# TOTAL BENEFITS PAYABLE JUNE 30, 2001

Tabulated by Attained Ages of Benefit Recipients

## Administrative Law Judges and Legal Advisors' Plan

Attained Age	Service Retirement		Disability Retirement		Survivors and Beneficiaries		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
55	1	\$ 35,784					1	\$ 35,784
56	-				1	\$ 19,488	1	19,488
59	1	36,192					1	36,192
63	1	45,216					1	45,216
69	2	77,890					2	77,890
71	-				2	43,428	2	43,428
72	1	20,268					1	20,268
73	1	39,648			1	22,296	2	61,944
74	1	50,628					1	50,628
75	1	43,788			1	5,064	2	48,852
76	1	39,512					1	39,512
77	1	46,344					1	46,344
78	1	42,876					1	42,876
79	1	43,020					1	43,020
81	1	44,784			2	39,732	3	84,516
84	1	28,812			1	22,116	2	50,928
87	1	44,796					1	44,796
Totals	16	\$ 639,558			8	\$ 152,124	24	\$ 791,682

Average Age at Retirement 66.6 years  
Average Age Now 74.0 years



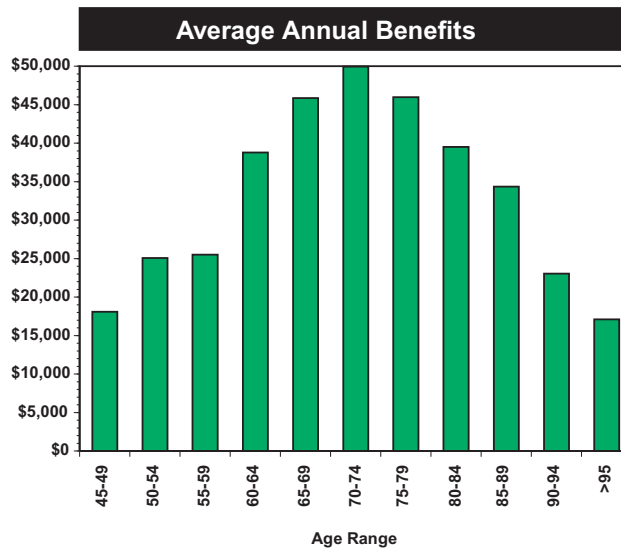
# TOTAL BENEFITS PAYABLE JUNE 30, 2001

Tabulated by Attained Ages of Benefit Recipients

## Judicial Plan

Attained Age	Service Retirement		Disability Retirement		Survivors and Beneficiaries		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
40-44								
45-49					3	\$ 54,228	3	\$ 54,228
50-54					6	150,392	6	150,392
55-59	2	\$ 90,564			12	266,424	14	356,988
60-64	33	1,379,935			5	93,744	38	1,473,679
65-69	33	1,631,176			5	111,816	38	1,742,992
70-74	70	3,971,317			17	374,484	87	4,345,801
75-79	60	3,334,731			23	480,186	83	3,814,917
80-84	26	1,398,141			19	379,584	45	1,777,725
85-89	24	1,173,606			18	268,831	42	1,442,437
90-94	5	270,818			13	144,146	18	414,964
95 and over	2	71,556			5	48,204	7	119,760
Totals	255	\$ 13,321,844			126	\$ 2,372,039	381	\$ 15,693,884

Average Age At Retirement 65.7 years  
Average Age Now 75.2 years



# TEN-YEAR HISTORICAL DATA

## Internal Service Fund

### Revenues by Source

Fiscal Year	Employer Contributions*	Member Contributions*	Investment Income*	Optional Life Premium Receipts	Basic Life Premium Receipts	LTD Premium Receipts	HMO Premium Receipts*	Premium Retention for Operating Expenses*	Miscellaneous Income	Settlements Net of Legal Expense	Total
1992	\$ 51,919,719	\$ 18,802,967	\$ 2,114,338	\$ 4,412,743	\$ 2,268,739	\$ 4,938,383	\$12,663,887	\$347,710	\$ 542	\$ 0	\$ 97,469,028
1993	62,080,566	21,380,567	693,202	4,551,873	2,365,344	5,003,490	16,429,142	365,106	1,340	0	112,870,630
1994	37,918,127	11,513,810	384,795	4,862,255	2,520,938	5,265,812	8,308,277	355,642	3,534	0	71,133,190
1995	0	0	79,215	5,535,334	2,801,939	5,650,682	0	275,646	0	205,411	14,548,227
1996	0	0	81,687	5,924,096	2,037,618	6,148,535	0	396,889	0	0	14,588,825
1997	0	0	50,608	6,319,662	3,224,533	6,711,653	0	379,683	1	0	16,686,140
1998	0	0	58,889	7,116,370	3,656,443	5,947,386	0	423,378	41	0	17,202,507
1999	0	0	55,323	8,216,777	3,556,088	7,169,727	0	413,519	31,098	0	19,442,532
2000	0	0	68,349	8,688,948	3,712,349	7,718,487	0	436,488	0	0	20,624,621
2001	0	0	81,717	9,277,192	5,357,260	8,551,077	0	464,351	0	0	23,731,597

\* The Missouri State Employees' Medical Care Plan operations were transferred to the Missouri Consolidated Health Care Plan January 1, 1994.

## TEN-YEAR HISTORICAL DATA

### Internal Service Fund

#### Expenses by Type

Fiscal Year	Medical Claims*	Administrative*	Optional Life Premium Disbursements	Basic Life Premium Disbursements	LTD Premium Disbursements	HMO Premium Disbursements	Premium Refunds*	Basic Life Death Benefits	Total
1992	\$ 83,674,959	\$ 5,291,117	\$ 4,375,115	\$ 2,267,723	\$ 5,136,992	\$ 12,609,838	\$ 227,967	\$ 0	\$ 113,583,711
1993	83,281,386	6,055,713	4,514,821	2,365,344	5,002,115	16,386,136	267,792	0	117,873,307
1994	23,005,156	3,336,388	4,825,723	2,519,343	5,264,677	8,284,843	152,961	0	47,389,091
1995	0	349,835	5,482,421	2,799,469	5,648,930	0	57,161	5,000	14,342,816
1996	0	330,702	5,874,317	3,023,323	6,146,610	0	53,652	0	15,428,604
1997	0	363,276	6,269,758	3,222,327	6,708,212	0	55,550	0	16,619,123
1998	0	470,791	7,053,924	3,654,416	5,945,374	0	66,485	0	17,190,990
1999	0	622,545	8,154,983	3,555,101	7,167,330	0	65,177	5,000	19,570,136
2000	0	519,271	8,622,170	3,711,311	7,716,026	0	70,277	0	20,639,055
2001	0	410,906	8,577,987	5,355,775	8,546,942	0	704,825	0	23,596,435

\* The Missouri State Employees' Medical Care Plan operations were transferred to the Missouri Consolidated Health Care Plan January 1, 1994.





*United We Stand.*

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